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Senate

The Senate met at 9:30 a.m. and was called to order by the Honorable MIKE DEWINE, a Senator from the State of Ohio.

PRAYER

The guest Chaplain, Rabbi Leslie Y. Gutterman, Temple Beth-El, Providence, RI, offered the following prayer:

God of the free, Hope of the brave, we invoke Your blessings upon the Members of this Senate. May they be filled with Your spirit, the spirit of wisdom, compassion, and understanding.

Help these good women and men to keep America free from prejudice, oppression, and strife. Let the Senators' deliberations fulfill our deepest spiritual desires and promote justice, freedom, and peace. Cause their example to strengthen every citizen's capacity for self-sacrifice on behalf of our country's welfare.

Hasten the day, we fervently pray, when security and abundance will be the share of all. Amen.

PLEDGE OF ALLEGIANCE

The Honorable LINCOLN CHAFEE, a Senator from the state of Rhode Island, led the Pledge of Allegiance, as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. THURMOND).

The legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, DC, February 8, 2001.

To the Senate:

Under the provisions of rule I, paragraph 3, of the Standing Rules of the Senate, I hereby appoint the Honorable MIKE DEWINE, a Senator from the State of Ohio, to perform the duties of the Chair.

STROM THURMOND,
President pro tempore.

Mr. DEWINE thereupon assumed the chair as Acting President pro tempore.

The ACTING PRESIDENT pro tempore. The Senator from Rhode Island.

RABBI LESLIE Y. GUTTERMAN

Mr. REED. Mr. President, I am honored to be able to welcome my friend and great leader in our religious community in Rhode Island, Rabbi Leslie Gutterman. Rabbi Gutterman is the rabbi at Temple Beth-El, Providence, RI. He has been leading his congregation since 1970. He has become a leader in our community not just within the Jewish community but within all the communities in Rhode Island.

The Talmud says the Torah gives honor to those who study it. Rabbi Gutterman has studied it and has been honored for this study. He honors us by his wisdom, his wit, his compassion, his generous spirit, in all he endeavors throughout our community.

It is indeed an honor to be here today to welcome him, to hear his words of prayer and reflection, and to go forward knowing that he is not only a friend but also a powerful force in our State for tolerance and decency. I thank him for being here today.

I yield the floor.

RECOGNITION OF THE ACTING MAJORITY LEADER

The ACTING PRESIDENT pro tempore. The acting majority leader, the Senator from Oklahoma.

SCHEDULE

Mr. NICKLES. Today the Senate will be in a period of morning business until 11 a.m., with the majority leader to be recognized at 11 a.m. for up to 15 minutes. By previous consent, following morning business, the Senate will begin consideration of the pipeline safety legislation. An agreement was reached last night with respect to amendments to the pipeline safety bill. Therefore, it is hoped that the Senate can complete action on the bill at a reasonable hour this afternoon.

I thank my colleagues for their cooperation.

Mr. REID. Mr. President, while the distinguished Senator from Oklahoma is on the floor, does the Senator have an idea what time the leaders want to have the vote today or hope to have the vote today?

Mr. NICKLES. Mr. President, I don't know. I do know there is an agreement that any amendments have to be relevant to the pipeline safety legislation. I think the legislation has overwhelming support, so it is my guess we will be able to have conclusion at a reasonable hour.

Mr. REID. A number of people have made inquiries today.

RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, leadership time is reserved.

MORNING BUSINESS

The ACTING PRESIDENT pro tempore. There will now be a period for the transaction of morning business not to extend beyond the hour of 11 a.m. Under the previous order, the time from 9:30 to 10 a.m. will be under the control of the Senator from New Jersey.

The Senator from New Jersey is now recognized.

THE SURPLUS

Mr. TORRICELLI. Mr. President, in these times of extraordinary budgetary wealth, it is easy to forget it was less

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

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than a decade ago that a now famous comment was made that the U.S. Government would have deficits as far as the eye could see. Indeed, in 1992 when the Clinton administration began, the annual deficit was $290 billion and was projected to grow to $455 billion this year. Today, not only has that annual deficit been eliminated but the budget surplus is $237 billion, for the first time in generations, 3 successive years of budget surpluses, leading to the extraordinary ability of the U.S. Treasury by next year to have reduced the aggregate historic debt of the United States by $600 billion.

It is now realistic to discuss the elimination of all outstanding U.S. Government debt—not in another generation, perhaps not even in another decade, but in our own time, on our own watch.

This extraordinary change of the national finances has led to the recognition that the Federal Government could generate a $3.1 trillion surplus, even while excluding the accumulating Social Security surplus that we mutually agree needs to be held in reserve. This is clearly a once-in-a-lifetime opportunity. Any generation of Members of the Senate only could have dreamed of the chance to reorganize the finances of the Federal Government with surpluses that were even a fraction of these magnitudes.

The choices before the Senate are obviously considerable. We arrived at these massive surpluses for a combination of reasons: Our taxes, extraordinary work by the American people, rising productivity and technology, but also because for a long time our people simply went without some benefits. Like a company that improves its bottom line by not investing in its personnel, our country cast a blind eye for some time to real human needs and human investments in order to balance our budget.

First and foremost among those things that the country simply ignored for a period of time was the medical needs of our people. Modern medicine is obviously revolutionizing health care. Despite the fact that prescription drugs are an integral part of the health care of any citizen, 35 percent of Medicare beneficiaries, or 15 million senior citizens, have no prescription drug coverage and are either choosing between their rent and food or paying their prescription drug bills or simply doing without at the cost of compromising the quality of their lives, or life itself. It remains first on the national objectives to be corrected in these new circumstances.

Second, arguably, the United States has the finest system of higher education in the world. But no one could defend the current quality of our elementary or high schools. They are literally bursting apart at the seams: Aging schools, postponed improvements in their infrastructure, the need for higher standards, to retain good teachers, and get even better teachers.

It is axiomatic that in this time of revolutionary technology and international competition, it will be impossible to maintain the standard of living in the United States or our national strength or even democratic character without improving the quality of instruction in our schools. Mr. President, 2,400 schools will need to be rebuilt by the year 2003 to accommodate rising enrollments alone, and 130,000 teachers will need to be hired over the next decade. This, too, was postponed.

Third, until most recently, this generation postponed its obligation to maintain the quality of life by maintaining the quality of the land of our country. What began with Theodore Roosevelt in preserving our national monuments and lands and open space for our generation was postponed as we fought to balance our budget. No State in the Nation is a better example of this phenomenon than my own native State of New Jersey. Forty percent of the land is already developed; 10,000 acres are lost per year. There is an epidemic of sprawl. America is losing 50 acres of open space every hour of every day, all year long.

These three, from my own personal perspective, are on top of a long list of postponed national ambitions that need to be debated in the context of broad and meaningful tax reduction, which I support. Prescription drug benefits, new teachers and schools, preserving of open space, and the quality of our environment—they are a part of this debate. The resources that go to one are not available for the other.

This Congress, unlike many that came before us that dealt with the question of comprehensive tax relief, must commit itself to balance, to balance the resources that are necessary for national goals and the resources that are required for comprehensive and meaningful tax relief.

The question of tax relief itself also involves issues of balance. I begin this discussion with a profound belief that tax relief is not only affordable, it is owed to the American people. There are many contributors to the national surplus. This Congress and President Clinton deserve considerable credit for reducing spending and some enhanced efficiencies. The American people deserve most of the credit for the new productivity of this economy and its efficiency through their hard work.

But it is also true—indeed, it is inescapable—that a significant portion of the Federal surplus is a direct result of high tax rates that have produced increased revenue, and the American people deserve a dividend on their high taxes of all these years.

Rates were increased and they were too high, and now they are simply not necessary. The projection of a $3.1 trillion surplus should end forever the argument about whether the U.S. Government can afford broad-based tax relief. It is right, it is necessary, and it is affordable.

The question becomes the character of this Congress; whether we not only have the judgment to balance our educational, environmental, and medical needs against the need for broad-based tax relief but whether the tax relief itself can be comprehensive and balanced to a variety of national objectives.

President Bush has proposed a $1.6 trillion restructuring of the tax brackets. It is largely a reflection of the broad-based tax relief offered by Senators Coverdell, BREAUX, Kerrey, and myself in the last Congress. It is deeper and it is broader, but it is based on the principle of lowering rates generally and specifically moving middle-income American families into the lowest bracket possible. That is simple but it is direct and it is right.

But the tax debate must include more than simply lowering rates in the broadest fashion possible for most Americans. There are other specific national objectives to be achieved through the Tax Code. I was pleased to see that Senator LOTT has joined in my efforts to include in this tax reduction a further cut in capital gains rates. The business community has made clear its own desire to see the R&D tax credit made permanent and reform of the international tax laws.

Those in my State of New Jersey, home of the pharmaceutical industry and increasingly of high technology, and involved in a disproportionate amount of international trade, are grateful for the help of our economy and growing employment base. Both political parties have pledged themselves to end the marriage penalty and to eliminate the estate tax for at least small businesses, family farms, and to fix the alternative minimum tax, which is a rising burden on middle-income people.

Indeed, with a surplus of this magnitude, there is no shortage of legitimate ideas. All of these concepts for tax reform and tax reduction have one thing in common: They are justifiable, they have a rationale, and they should be considered. But they also have this in common: None should be considered to the exclusion of other ideas, and each should be balanced.

This is a moment the country is not going to visit again for a long time. This should be considered at length, seriously, and done right. Let me begin with several ideas that I believe are critical, in addition to the clear objective of restructuring the tax brackets themselves.

First is the affordability of higher education. There is no greater burden on middle-income families, on working couples, than the prospect, the daunting challenge of a college education for their children. With the possible exception of buying a home, it is the principal financial burden in life for most Americans. For those less fortunate, there are a variety of scholarship and loan programs. The very wealthy will never have to be concerned. But most Americans find themselves in neither situation, and we are

facing the prospect where the middle class will simply be out of range of a quality graduate education or even a college education. Both our sense of fairness and our economic prospects as a nation are going to be radically altered if a quality college education is the province only of the upper middle class and the privileged. We will destroy the engine of our economic growth while taking basic fairness and social mobility out of our society.

As this chart indicates, over the last decade the cost of sending a child to college has increased by 40 percent, two and a half times the basic underlying inflation rate, for public universities and for private universities. It is not tolerable and there is something that this Congress can do about it. If we were to add one single deduction to this new Tax Code that this Congress is going to write in the coming weeks, in addition to the broad-based relief in the lowering of tax brackets for all Americans, it would be 100-percent deductibility of college tuition. It makes sense and it should be done now, and nothing would add more to the finances of middle-income families.

Long ago this Congress recognized the need for deductibility of basic investments by business to add to its capabilities of productivity and efficiency. As a nation, that same investment strategy is reflected by average Americans every day when they seek the financial security of their families and their productivity as a people by educating their children.

I recognize, because of the variety of deductions and rate alterations that are going to be suggested in this Congress, that 100-percent deductibility for Harvard or Yale or Princeton might not initially be possible.

Because we cannot do everything does not mean we cannot do anything. If 100-percent deductibility for the most expensive schools in the Nation is not possible, 100-percent deductibility for the cost of going to a State university or a more moderately priced school is affordable and should be in this legislation.

Second, the national crisis of savings and retirement: There is no arguing that these are extraordinary economic times by almost any measure—national competitiveness, efficiency, employment, and quality of life. In this panoply of good news, there is at least a single measure of a mounting national problem: the national savings rate.

As this chart demonstrates, from only 20 years ago, when Americans were saving 10 percent of their income, for the first time since the Great Depression, the Nation now has a negative savings rate.

The consequences of this are very clear. American families are maintaining their standard of living by going into debt further and further every year. In the last 23 years, the debt burden on American families has quadrupled. We are now last in the developed world in the amount of money available to every family in their personal savings.

Nearly two-thirds of Americans have no stake in the society, no accumulated wealth but the value of their home. The consequences of this on society are very clear. Most Americans are no more than a sickness, a natural catastrophe, a divorce, or the loss of a job away from losing a home and everything they have worked for all of their lives. A stable society that is prosperous and confident must have broad-based savings by its people.

There is a reason why Americans have stopped saving money. This Government has made savings an irrational economic act. A working family on a modest income, who puts a few dollars in the bank or in the stock market every year hoping for a dividend, a small capital gain, some appreciation, faces the prospect of paying taxes on it every April. This denies people not only security from the vagaries of everyday life, it also denies them the ability to save appropriately for their own retirement and ultimately makes them dependent upon Government to an extent that should not be necessary.

Let me be clear because I believe this is so fundamental to this tax bill. The Federal Government, in its current circumstances, does not need tax revenues from taxing the dividends, interest, or capital gains of working-class families who decide to have modest savings and make an investment in the country for themselves, their children, or their future. We not only do not need their money, we should be encouraging them to every extent possible to participate in the growth of the country and save their own money: Buy a mutual fund, put money in the bank, get in the stock market, make a family investment, and keep your money.

If we provide a $500 exclusion for dividends, savings on interest in bank accounts, $2,000 or $3,000 exclusion for capital gains, we can eliminate all taxes on savings for 20 million Americans; 20 million Americans would be eliminated from the tax rolls with regard to their savings account or their brokerage account.

This Congress could make saving money and getting financial security to be a rational economic act again.

For most Americans, this would translate into the ability to have $10,000 in the bank or in the stock market, knowing it is theirs and it will not add to their tax liability every April. I believe this second element, in addition to a broad-based rate reduction, is a critical component of comprehensive tax reform.

Third, the elimination of the estate tax for small business and family farms: There is clearly a general agreement in this Congress by Democrats and Republicans that we can eliminate all taxes as we now know them on estates for small businesses and family farms. The question is whether we can afford to do this for everybody or only for 90 percent of those Americans who would be eliminated from the estate tax rolls if we simply increased the threshold to $5 million or $7 million.

We all agree there is a problem. Seventy percent of small business owners choose to sell their businesses rather than pass that business on to their children and pay the estate tax. The estate tax is destroying small business in America, family businesses, the continuity of ownership and pride within a business inside a family. As a result, only 13 percent of small businesses in existence today will survive to the third generation.

With the loss of family farms, it is even worse, adding not only to the loss of continuity of ownership of a family farm but in a State such as mine, in New Jersey, more importantly, the destruction of the land. People who want to be in farming and want their children to be in farming have to sell the farm to a developer and divide the acreage because upon their death, their children cannot afford to pay the tax.

The better alternative, if we cannot afford to eliminate the estate tax entirely, is to increase the exemption to such a level that every small business and every family farm, for all practical purposes, is excluded from the tax.

Under current law, there is a $2.6 million exemption for qualified family farms and small businesses. But in a State such as New Jersey—indeed, much of the country—if you have significant acreage, you may not be a wealthy person—indeed, you may have no cash available at all—but your land may be worth more than that, and you cannot afford to give it to your child on your death. Therefore, the more effective alternative to repeal may be to increase the threshold to $8 million or maybe even $10 million. This would deal with the practical problems of destroying small businesses and family farms.

Four, rate reduction. I began this discussion by conceding the point—and, indeed, conceding it gladly—that every American deserves a tax break regardless of their income because every American, regardless of their position, has contributed to the surplus and the new national prosperity.

I say this because my hope is that this discussion of tax reduction cannot become a debate about different sections of the country any more than it should about different stratums of wealth, a fight of region, or class warfare. All Americans helped produce this prosperity, and everyone should share in its benefits. But I also want this congressional debate to begin with the idea that we all do come from different sections of the country and have different concepts of the tax burden.

The issue becomes that we all want these tax reductions to go to primarily middle-income people, which begs the question: What is a middle-income family? Is a family of four making $40,000 or $50,000 middle income? There

are regions of the country where the answer to that might be affirmative.

In the State of New Jersey—indeed, I suspect in New York, California, southern Florida, or northern Illinois—the answer most decidedly is no. A family of four earning $40,000 to $50,000 a year is struggling every single day to pay their mortgage, educate their children, feed their children, and clothe them. That is not a life of prosperity and ease. It is only marginally sometimes middle income.

Indeed, in my State, a family earning $70,000 a year is probably a police officer married to a nurse or a schoolteacher. This is a family of middle-income status that deserves these benefits. So I hope we can avoid a discussion of broad-based tax relief that focuses most tax benefits significantly below this level of income.

I want to be accommodating to my colleagues. I want this to be a bipartisan and broadly based tax plan, but I will fight to the end to assure these levels defining ''middle-income families'' are realistic for these police officers, nurses, teachers, and small business people who have modest incomes and high expenses in our urban and suburban areas of the country.

Last year, when Senator Coverdell and I introduced the first bipartisan broad-based expansion of tax brackets for lower rates, the center of our plan—largely now adopted by President Bush—was to expand the 15-percent tax bracket to a family of four earning $75,000. This would move 7 million taxpayers into the lowest Federal bracket, recognizing that no one in this bracket, as I earlier suggested, should be paying 28 or 31 percent. This is the centerpiece, in my judgment, of any rate reduction.

Finally, I leave my colleagues with two other concepts that I hope will be considered, recognizing that in addition to the education and health care and open space agendas of the Nation, and the need for broad-based rate reductions, there are two other issues Congress has addressed previously where we are not succeeding that could be impacted by the tax break.

First is our urban agenda. We have tried Empowerment Zones and HOPE VI grants and a variety of measures to deal with our urban problems. Some have succeeded. Indeed, I am proud of many. But my sense is that our cities are now at the point where private investment could largely follow these Federal initiatives in an urban renaissance. If we could change, even marginally, the profitability of urban investment, such as, in wide areas of Newark and Jersey City—I recognize private housing is beginning to be built, but what is a tentative beginning could be an explosion of investment if we could marginally change the tax status of the developers.

So I propose, for home ownership and investment in our urban areas, we take these areas of urban Empowerment Zones and do an exclusion on capital gains for those who will invest in new housing or new investment. Allow the developer to keep $25,000 of capital gains on every house they build in an urban enterprise zone as their money, if they will take the risk and change the economics of that investment.

Second, and finally, on brownfields, brownfields is an important concept to recycle urban polluted lands into vital economic resources. It has been successful, but it must move more quickly.

Mr. President, I conclude simply by suggesting I want to accelerate and increase the tax deductibility for investment in brownfields. I leave my colleagues with the thought that I hope this is a good debate on tax reduction. I hope it is comprehensive. I hope it is balanced. I hope we seize this extraordinary moment to impact the lives of as many Americans as possible while assuring our economic future.

I yield the floor and thank the Presiding Officer for his indulgence.

The PRESIDING OFFICER (Mr. ALLEN). I thank the Senator from New Jersey.

The Chair recognizes the Senator from Connecticut, Mr. LIEBERMAN.

Mr. LIEBERMAN. I thank the Chair and thank my colleague.

FISCAL DISCIPLINE

Mr. LIEBERMAN. Mr. President, this is an important day in the 107th session of Congress. This is the day on which President Bush will send us his tax proposals. Our response to them will determine, I believe, the strength of our economy and the security of each and every American for years to come.

In response to the proposal the President will send us, I believe we will all be tested—each of us individually, the institution of Congress, and, indeed, the American people whose opinions will influence what we do. I think, therefore, we have to think long and hard about what we do.

I have looked at the proposal President Bush is going to send us today. And with all respect, I believe President Bush's tax proposal is a mistake because it does not reflect the best American values of thrift and discipline. I also believe President Bush's tax proposal is ultimately fiscally irresponsible because it spends money in a projected surplus we have no reason to have absolute confidence we will have and, therefore, not only threatens to take America back down the drain to debt, to deficits, to higher interest rates and higher unemployment but threatens to make impossible the kinds of measured investments we need to make in our people's future, including our national security, the education of our children, and the health care of all Americans.

So I think it is time for us, on these tax-and-spending matters, to slow down. If I might paraphrase a Simon and Garfunkel classic: It is time for us to slow down and not move too fast because we have to make the good economy last. What I see around us, in response to the President's proposal, is quite the opposite of discipline.

I fear we are going to end up in a race to see who can give more away, which will ultimately result in a position that the American people will not be able to take care of themselves. I want to speak about this for a moment or two.

We have learned some lessons—or should have—over the last several years about how we created the economic growth that most American families are enjoying today. Government does not create jobs; the private sector does. But Government can create the environment in which the private sector can thrive by the way we conduct ourselves.

It seems to me, if we look back over history, though the investments we make in education and training are important, the most important thing the Federal Government can do is to keep its books in balance and, hopefully, to have a little bit of a surplus. That creates the confidence and the stability which encourages the private sector to invest, to innovate, to create jobs, to grow.

The tax plan which President Bush is sending to Congress today ignores those lessons. The administration's massive $2 trillion tax program—because it is not just the $1.6 trillion, if you add on the necessary alteration in the alternative minimum tax and lost interest earnings as a result of that tax plan, it comes to more than $2 trillion—that massive $2 trillion tax program misunderstands our unprecedented economic expansion and why we got there and is not the right way to deal with the current economic slowdown that worries us.

As a so-called new Democrat and, indeed, I might add, as a New Englander, I believe in tax cuts.

I have supported them in the past. I will support them again this year. But they have to be done in the context of a balanced fiscal program. The President's proposal absorbs most of the projected surplus for tax cuts, a surplus which, I repeat, is just a projection, not a reality. It is as if someone told the average American or the average American small business person: We think you are probably going to make this much money in the next 10 years, and then that individual American or that individual American small business person immediately goes out and spends all that money. No one sensibly would do that. We who have the privilege and responsibility of leading this country should not allow the American Government to do that.

A better framework, one truly reflective of our national values and priorities, would be to divide the projected surplus into parts: One part for deficit reduction, not only for deficit reduction but as a hedge against the possibility that the surplus projections do not materialize; another part for