

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 school teacher. 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 be-

cause 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

broad-based progressive tax cuts; and a final part for targeted investments in our future: in our defense, in our national security, in our education, and in our health care.

My own preference for that division would be to put half of the projected surplus for debt reduction in a rainy day fund, one-quarter for tax cuts, and one-quarter for targeted spending increases. Others would divide it in equal thirds. That is acceptable, certainly preferable to what the President is sending us today.

Our top priority must remain debt reduction. Let us not forget, as good as the times are now, we still have a national debt of more than \$3.1 trillion which, if we do not act responsibly, will burden the future, not just of our Nation but of our children and our grandchildren.

Our economy is slowing down—it is still pretty healthy but slowing down—from the extraordinary rate of growth we have enjoyed for several years. Last week, it is important to note, the consumer confidence index reported a 20-percent decline from a year ago, falling to its lowest level in 4 years. Obviously, many consumers are getting nervous about the economy's slowing growth and what it portends for their future and our future as a nation.

That presents us with a warning about how we should act with this surplus, but it also gives us an opportunity. Washington can quickly rally consumer confidence, I think most importantly, by continued debt reduction, staying the course, because that means lower interest rates. That means lower interest payments on cars, homes, student loans, and credit card debt. Lower interest payments also mean greater purchasing power.

In short, continuing to pay down the debt and thereby keeping interest rates low amounts to an indirect tax cut and an economic stimulus now that will actually put more money into the pockets of more Americans more quickly than anything else we can do.

Let me talk about the opportunity for tax cuts, which we have if we do this responsibly and right. The American people have earned a tax cut. In fact, as good as the economy has been in recent years, there are millions and millions of Americans who need a tax cut to make the way for themselves and their families. The question we have to ask ourselves is, What is the most constructive and fair way to return part of the surplus to those who helped create it? After all, the surplus comes from the revenues that people pay our Government. The revenues that people pay our Government have gone up because the economy has improved. The economy has improved because of the investment and innovation and hard work of the American people.

The answer here is to construct and adopt a broad-based, progressive tax cut, one that is directed at the middle class, which is, after all, the backbone of our society and our economy. Let

me suggest three possibilities to do this in a fiscally responsible way.

First, let us remember that almost three-quarters of all working Americans actually pay more in payroll taxes, have more taken out of their paychecks in payroll taxes, than they pay in income taxes. Why not help them by cutting that tax on work and thereby adopt a payroll tax credit? For instance, working families could receive an annual refundable income tax credit equal to a percentage of what they pay in Social Security taxes, without affecting what they have invested for retirement.

Another possibility that is being discussed is to use tax credits, or the money available to establish what, in effect, would be a national 401(k), by matching private retirement savings and encouraging actually depositing money for retirement beyond Social Security in special accounts for all working Americans. That would allow people to keep more of their own money while supplementing Social Security for their retirement.

A third reasonable, balanced, broad-based, progressive tax alternative is to give every American taxpayer a refund, a flat dollar amount, as a dividend, to reflect the growing budget surplus and the hard work that went into creating it.

Each of these three possible proposals—and you can only adopt one of them in a fiscally responsible way—would have a great impact on those who need tax relief the most.

Incidentally, if we do it right, there will be some money left over for tax cuts for business, tax cuts to encourage investment and innovation, tax cuts that can help small businesses, particularly, work their way into the new information age, high-tech economy. That might include another round of capital gains tax cuts.

Briefly, on the question of spending, because I think we have the opportunity to make some investments in a limited, restrained, and targeted way, none is more important than education. President Bush has made a very thoughtful proposal on education reform which is not tremendously unlike proposals that many of us have made.

We can talk about good ideas for education reform, but unless we have some money left over to actually invest in the education of our children, those ideas won't matter. The same is true of our national defense. Last year, then-Governor Bush quite often said that our military was strapped, it was becoming weak, and that help was on the way. He has now said more recently to the military: Don't expect an increase this year.

But more to the point, if we spend as much on his tax proposal, there is no way we will have the money we need to invest in strengthening our military and keeping our Nation secure over the next decade.

The bottom line is this: Fiscal discipline has played a critical role in the

growth of our surplus. It would be foolish to forget that as quickly as these surpluses materialize, they can disappear. That is why we should follow a cautious approach to the surplus assumptions and projections and a balanced approach to the policies that are based on those assumptions.

The best way to keep America's prosperity going is with a balanced program in which we distribute this surplus the American people have earned to debt reduction, sensible broad-based tax cuts, and targeted spending increases.

That is the best way to secure America's future and improve the lives of the American people. I thank the Chair and yield the floor.

The PRESIDING OFFICER. The Chair recognizes the Senator from Arkansas, Mr. HUTCHINSON.

THE PRESIDENT'S TAX CUT PROPOSAL

Mr. HUTCHINSON. Mr. President, I want to respond to my distinguished colleague on his always very insightful observations regarding the President's tax cut proposals. I want to strongly commend the President for coming out with a well-conceived tax program that will provide broad-based tax relief for the American people; for every American taxpayer will experience relief from the onerous burden placed upon them by this Tax Code and tax burden we have.

My distinguished colleague spoke of the need for investment. Too often when we talk about not giving tax relief because we have to ensure we have enough resources to invest in the Federal Government, what we are really talking about is: Let's make sure we don't give it back to the American people so we have it to spend as we see fit. So investment equates to big spending programs. That would be ill-advised.

If we do not enact broad-based tax relief, as the President has proposed, I can assure you that over the next 10 years the projected surplus will not go to debt reduction, as everybody would like to see, but it will, in fact, be spent by a Congress that enjoys spending all too much.

When Senator LIEBERMAN speaks about a cautious approach, I agree. What the President has done and proposed is cautious and prudent. He has proposed that we spend one-fourth of the projected surplus by returning to the American people tax relief. One quarter of every dollar out of the projected surplus would be returned to the American people who pay the bills.

As my friend Senator ENZI has often said, the surplus is a tax overcharge, and at least a quarter of it ought to go back to the American people.

EDUCATION SAVINGS ACCOUNTS

Mr. HUTCHINSON. Mr. President, I rise today to speak to a part of the President's tax program and part of his education program, which is the education savings accounts. My colleague,