party affiliation from Republican to Independent. On June 6, Senator CARL LEVIN was designated chairman of the Committee of Armed Services. On June 7, Senator LEVIN, as chairman, presided over the Armed Services Committee nominating hearing and other business of the committee.

There it is. I had waited some 20 years through this procession of seniority. Then we have an election process in our conference. I became chairman and served in that 2-year period—some 18 months, whatever it worked out to be—after 20-some-odd years of training and preparation to take on that awesome responsibility. In less than 24 hours, I stood up as I was trained as a military man and handed the gavel to Senator LEVIN, and the business of the committee went on.

That is sort of the transition, and that is the sort of spirit we have in that great committee on which I serve. We try to keep to a very minimum questions of partisanship because we have the responsibility for the men and women of the Armed Forces and, indeed, the security policies in terms of oversight of this Nation. We take that responsibility very seriously. As such, I am proud to say that I think Senator LEVIN and I have continued the traditions of those men who we deem great, great chairmen of this committee.

I hope this casts some light on the negotiations that are being undertaken on our behalf by the leadership because I certainly value it. We took our blow when Senator JEFFORDS made his switch. But I think to the man and to the woman on this side of the aisle we did it, and we did it swiftly and in recognizing that the leadership in this Nation should never be in doubt.

If I could just reminisce on one story that I remember so well. I was working on the staff of the Vice President of the United States, Richard Nixon. I was traveling with him in 1960—as we call it, an ''advance man.'' I had the last assignment of taking him to California that night when the nationwide election was held. The following morning I made the arrangements to convey the Vice President back to Washington. The election was still not fully decided in the minds of a number of people, primarily because of the celebrated block of votes in Chicago allegedly under the control of the then-mayor, the father of the current mayor, Richard Daley. But, in any event, we proceeded to the airport. I put the Vice President's plane on the end of the runway because we wanted to try to remove ourselves as much as possible from the clamor of the press watching the final results of that election unfold.

There was a mechanic who had come out to make certain the plane was operative before we departed. We loaded all the staff. I then escorted the Vice President and Mrs. Nixon out, and one or two of his senior associates. The mechanic had a small radio that was blaring about these 10,000 votes. I watched the Vice President at that time instruct one of his aides to call in and say that he would not contest those votes because at no time did he feel there should ever be a doubt in the minds of the American people or in the minds of the world of the ability of the elections of this country to decide the change of power.

Right there at the end of that airstrip when that decision was made, it was conveyed back to President Eisenhower, and that was it. That night, we came back to Washington and he formally conceded that election. I think that is an interesting precedent.

I yield the floor.

The PRESIDING OFFICER. The Senator from Nevada is recognized.

Mr. REID. Mr. President, the minority has until 12:40; is that correct?

The PRESIDING OFFICER. That is correct.

CRY UNCLE

Mr. REID. First of all, I am not going to spend a lot of time talking about the organizing resolution. I think we should follow the Durbin plan of government, which he enunciated here today—the golden rule: Do unto others. We are willing to take what we were given last time by the Republicans. And the Senate has changed; last year at this time, there were 51 Democrats; now there are 49. Today, there are 51 Republicans and 49 Democrats. We can take the same thing that we were given. That is what this debate is all about.

There were four boys in our family, and my wife and I had four children. We have kind of followed a tradition that I am sure is in a lot of families with boys. When you wrestle and do other things, one of the rules I had with my brothers and my children is, if there is a little too much wrestling, or maybe you are putting on a little too much pressure, let him cry uncle on it; then you stop.

I think the time has come with this, as reported in a number of accounts yesterday, bizarre, foolish, crazy tax plan the President has given us. I think it is time that he cry uncle because it simply won't work. Even people from his own party—U.S. Senators—are saying enough. I think what they are saying in so many words is: Please cry uncle, Mr. President.

You can look at what some journalists have had to say. David Broder said, among other things:

> The dividend tax would likely deepen the growing budget deficits. The first round of Bush tax cuts will cost more than $1.3 trillion in revenue over the next 10 years.

Kevin Phillips said, among other things:

> The congressional leadership and the White House are so wedded to an economic policy keyed to helping those at the top that they lined up behind what is really a program to make stock dividends into a 10-year, $300 billion individual income tax shelter. This isn't just trickle down economics. The benefits to the rest of the economy, even to the stock market, are so conjectural that trickle down looks to become misting down.

That is by Kevin Phillips, a Republican.

All we need to do is look in the Washington Post, which has run a story by a man by the name of Allan Sloan, a Newsweek Wall Street reporter. He writes for Newsweek. The Washington Post ran this story. Among other things, he says there are too many leaps of faith in the Bush tax cut plan. He says that the debate is focused largely on the question of fairness and affordability.

I ask unanimous consent that the full column of Allan Sloan be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

TOO MANY LEAPS OF FAITH IN BUSH TAX-CUT PLAN

(By Allan Sloan)

Do you remember those happy bygone boom days when the stock market was going to save us from a variety of ills? Rising stock prices would solve the problem of Social Security shortfalls; boost federal, state and local income tax revenue; and let us all retire young, rich and happy. It never happened, of course. And now that stocks have been in a three-year funk, we the taxpayers are being asked to bet around $500 billion on the dubious proposition that we can jack up stock prices by changing the way we tax dividends. And that higher stock prices will bring back the good times so many of us got used to in the late '90s.

What I'm talking about, of course, is the dividend tax cut that's the heart of the proposed economic stimulus package from President Bush, our MBA-in-chief.

The debate has focused largely on questions of fairness and affordability, which are certainly important. But lost amid the din are some important unanswered questions, such as whether a $33 billion-a-year dividend tax cut can really provide serious help for an ailing $10 trillion economy. And whether a dividend cut whose benefit is concentrated among a small number of high-income households is a better way to jump-start the economy than House Democrats' proposals to send out millions of one-time checks in the $300-to-$600 range. And, finally, whether we should even be trying to stimulate the economy with tax cuts, rather than letting it seek its own path.

Bush's proposal is designed to eliminate double taxation of dividends. That's when a corporation pays taxes on its profits, then pays out after tax money as dividends to investors who pay tax on them.

Bush's plan, simple in sound-bite form but horribly complex in the real world, would make some cash dividends that companies pay tax-free. But a company's status depends on how much income tax it paid the IRS. So you wouldn't know what to count on from year to year.

The Treasury estimates that the dividend package will reduce tax revenue by $364 billion over 11 years—my $33 billion-a-year number. But we'd have to pay years of interest on a larger national debt, hence my $500 billion cost estimate.

You've got to take several leaps of faith to believe a $33 billion cut can bring back the good times. The leaps look like this: Cutting dividend taxes jacks up stock prices. Higher stock prices make capital cheaper, encouraging companies to expand, adding jobs. Combine these jobs with the good feelings that higher stock prices would generate among the populace and people run out and spend, stimulating the economy big time. That's enough leaps to give you shin splints.

This is actually a simplified version of the thesis floated by economists including R. Glenn Hubbard, head of Bush's Council of Economic Advisers. At various times, Hubbard has said that eliminating dividend taxes would raise stock prices by 20 percent or 10 percent or 7.5 percent. He's co-written papers asserting that dividend taxes depress stock prices. But academic opinion is divided on the subject. Besides, who'd risk $500 billion on an academic theory? Not me.

When you enter the real world, you run into more problems with the dividend-cut-to-the-rescue plan. To wit: About half the dividends eligible for this break go to non-taxpayers, such as pension funds and retirement accounts, for whom tax cuts are irrelevant. Besides, the big players who drive stock prices—professional traders, hedge funds, mutual funds—are generally rated on their results without taking taxes into account.

Finally, the double-taxation problem is smaller than it used to be. That's because corporations pay less income tax (as a percent of profits) than they did before the advent of aggressive corporate tax shelters, and dividends are far lower, relative to stock prices, than in the pre-'90s days.

If we're going for quick stimulus through tax cuts—which I'm not sure would work—I'd take the Democrats' version. If we want to fix a long-term problem, I'd reform the hideous alternative minimum tax. The AMT, a complex trap designed three decades ago to keep richies from ducking taxes entirely, has morphed into a monster that threatens millions of middle- and upper-middle-income people.

The Bush tax package would mitigate the problem through 2005; Treasury types told me it would return in 2006. But the Bushies can produce happy tables showing middle-income people benefiting today. Apres moi, l'AMT.

Even though I think the idea of reducing dividend taxes to stimulate the economy is not likely to work and would be a terrible waste of public money, I love the way the Treasury tax types want to implement it. Instead of just making all dividend payments tax-free, which is what I thought would happen when I wrote about this last month, Treasury has come up with an elaborate plan to make sure that only stockholders of tax-paying corporations benefit from this break.

One of the side effects of this proposal—which I doubt that many people in the White House realized—is that each corporation would have to announce every year how much in federal income taxes, if any, it had paid.

Can you imagine the uproar when someone made a list like that public?

Alas, even if this plan gets passed, I doubt we'll see this type of disclosure. For what I'm sure are perfectly good reasons, Treasury would allow companies to count foreign income tax credits as taxes paid to the United States. So you can see corporate America lining up to seek more loopholes—add back the deductions for pollution bonds, employees cashing in stock options, state, local and social Security taxes, all sorts of other high-minded stuff—until the disclosures would become meaningless. But you've got to commend the Treasury people for being intellectually honest.

Letting corporations deduct interest payments but not dividend payments has skewed balance sheets toward debt. That's bad. But the way to fix it is to let corporations deduct dividends the way they deduct interest. That idea ''had a short shelf life,'' a Treasury tax techie said last week, because it's much more costly then Bush's plan.

The idea that cutting dividend taxes will save us should have a short shelf life, too. This is beyond voodoo economics. It's just a mistake. Call it booboo economics.

Mr. REID. He says, among other things:

Letting corporations deduct interest payments but not dividend payments has skewed balance sheets toward debt. That's bad. But the way to fix it is to let corporations deduct dividends the way they deduct interest. That idea ''had a short shelf life,'' a Treasury tax techie said last week, because it's much more costly than Bush's plan.

Last paragraph:

The idea that cutting dividend taxes will save us should have a short shelf life, too. This is beyond voodoo economics [which was a term President Bush number 1 used in the campaign against President Reagan]. This is beyond voodoo economics. It's just a mistake. Call it booboo economics.

Mr. President, the economic tax plan the President has given us is bad. It is something that is doomed to failure. If it passes, it will wreak havoc in this country. I hope that people of good will, Democrats and Republicans, will prevail upon the President to have him cry uncle and come forward with a reasonable proposal.

Mrs. BOXER. Mr. President, if my friend will yield for a question.

Mr. REID. Yes.

Mrs. BOXER. I know my colleagues are here. I have one point I want to make, and then I am leaving the floor. I think it is an important point. I wonder if my friend can let me know if he agrees. I think America is now learning who benefits from this Bush plan. It is very clear. It is not rhetoric; it is fact. It is a boon to the millionaires and the billionaires, plain and simple. I know people in this very Chamber who have come up and said: This is absurd. We would much rather see a country that invests in its children, invests in its homeland security, and that gives tax breaks to those in the middle. They are fighting to stop this ill-advised plan. You have made the case that it makes no sense. We are talking about deficits as high as the eye can see and people being rewarded who don't need to be helped. It is not going to stimulate this economy. In the long term, it will lead to outrageous deficits.

I ask my friend this question: Isn't it bad enough that this is a plan that won't do what we need; namely, have stimulus and long-term prosperity? Isn't it worse that at the same time the President is saying let's cut all these taxes for the millionaires, he is shorting homeland security and education? Our colleague, PAUL SARBANES, said it best when he said we ought to call this plan ''leave no millionaire behind.''

We have President Bush sign a bill called Leave No Child Behind. We are going to get a bill pretty soon here that breaks the promise he made to the children of this country. He stood with Senator KENNEDY, he stood with Congressman MILLER, the champions of education and children, and now he will not fund it because he wants to give the money back. He is not funding homeland security, and our States are suffering as a result.

So the juxtaposition of these two things—a plan that does not do the job, plus shorting our people in terms of education and homeland defense—isn't this a time that we have not seen ever before, a dangerous time for our people?

Mr. REID. I say to my friend from California that there are some at 16th and Pennsylvania Avenue who have tried to place upon the Democratic Senate that we are creating class warfare. My response to that is, we have not created class warfare; they have.

I know the Senator from the State of California represents approximately 35 million people—35 million people. The Senator from California has had wide-ranging support over the years from poor, middle class, and the Senator from California received lots of support from very wealthy people. We are not opposed to rich people. They are good for the country. But Senator HARKIN and I were here on the floor yesterday, and both of us, from the State of Iowa and Nevada—and I would like to hear from the three Senators on the floor—with New York not being here and Texas not being here, the most populous States in the Nation—Florida, Illinois, and California. I would like to know if you have had a ground swell of calls, people calling you who are rich saying please do this; it is good for the country.

I say to my friend from California, for Michael Eisner—and I know him—this tax boondoggle would give him an extra $2.6 million every year. Michael Eisner does not need that tax break. Michael Eisner does not want that. I say to my friend, is there anyone who has received phone calls from rich people saying: Please take away this dividend? No, they would rather, as the Senator from California said, that the money be spent on making us more secure in the form of better educated children, better protected citizens in our hometowns. The Senator from California is right on target.

Mr. DURBIN. Will the Senator yield?

Mr. REID. I will be happy to yield.

Mr. DURBIN. I accept the Senator's invitation for comment. I can remember a comment made to me, even as I stand here. The CEO of a Fortune 500 corporation in Chicago, when I visited him and said: Do you believe the President's approach, tax breaks for the highest income categories, is the right way to stimulate this economy? He said: Of course not; we have to create demand for goods and services.

He told me: I am not very popular in my country club.

Here is what I told him. Throughout history, millions of Americans have sacrificed; they have given their lives to make this a great Nation. Is it too much to ask the wealthiest people in this country to pay their fair share of taxes? I do not think it is too much. These are people who have been blessed with creativity, skill, energy, and success, and to say they are the ones we are going to continue to reward defies any logic. Why are we not trying to reward and help the struggling families who are trying to pay their basic bills?

Take a look at this chart. In terms of the Bush tax cut, the benefit for those making about $40,000 a year is $265, but if you happen to be a millionaire—$1 million of annual income—the Bush tax cut is worth almost $89,000.

PAUL SARBANES was right—and I am going to credit him for this only one time and never again—the Bush tax cut is clearly a policy of leave no millionaire behind.

Mrs. BOXER. Every year?

Mr. DURBIN. Every year this is what it comes down to. Frankly, this is the average annual tax cut for millionaires, an annual tax cut of $89,000.

What does the President cut to provide these tax cuts? Money for schools. Under his program, the education legislation, No Child Left Behind, the schools have all the mandates for testing, for evaluation, and for improvement, but the President will not put the money on the table. This is a President who posed for those holy pictures with the leaders in education in Congress, saying he was the education President, and yet when Mitch Daniels and OMB had a chance to write a budget, they did not put the money there. It is an unfunded mandate to the States when the States are desperately in trouble. The President cannot find the money to fund education, to fund his bill, but he can find money for a tax cut for the wealthiest people in America. He has abandoned No Child Left Behind so he can embrace a tax policy of no millionaire left behind, and that to me is unforgivable.

That is the difference in the approach between the two parties, and that is the difference we need to dramatize as we talk about tax policy and spending policy in this Congress.

Mr. NELSON of Florida. Will the Senator yield?

Mr. REID. If I can respond to the Senator from Illinois. Senator HARKIN has done a wonderful job working with Senator SPECTER on the appropriations subcommittee dealing with Health and Human Services, Labor-HHS, and he has done a lot for making sure we have money for school construction. We do not have nearly what we need. A little bit helps.

The unfunded school construction in this country today, as we speak, is $189 billion. The average school in America is 45 years old. A lot of places, Florida and Nevada especially, have rapid growth and need to build new schools, and school districts are at the limit of what they can do with floating bonds.

The Senator from Illinois is absolutely right. I was in the Chamber when the Senator from Illinois said schools are cutting back to 4-day weeks. When we are fighting to keep up with the demand of modern education, we are cutting back a day of these young kids' lives. I think it is just awful.

I so much appreciate the Senator from Illinois bringing to our attention that we have to take care of priorities. Where are these tax cuts coming from? It is not as if there is a big building someplace down at 16th and Pennsylvania Avenue where they can go in and start hauling out wheelbarrows of money.

Mr. DURBIN. Will the Senator yield? They are coming from the Social Security trust funds.

Mr. REID. Absolutely.

Mr. DURBIN. When baby boomers are about to retire and counting on Social Security, we are going to have the trust funds even deeper in debt, and the debt we are leaving behind is for our children and grandchildren. This approach betrays two generations: the baby-boomer generation and our children, who are going to have to pay off the debts incurred to give tax breaks to the wealthiest people in America at this moment in history.

Mr. REID. To Michael Eisner, who does not want a tax cut—he has not told me that, but he does not need it. That money is going to Michael Eisner, and children in America are going to school 4 days a week. Not fair.

Mr. NELSON of Florida. Will the Senator yield?

Mr. REID. I yield the floor.

The PRESIDING OFFICER. The Senator from Florida.

STIMULATING THE ECONOMY

Mr. NELSON of Florida. Mr. President, I wish to discuss this same issue and do it with a different approach. We have been talking about the unconscionable cuts in education. We are about to see some huge cuts in homeland defense. A lot of this burden is being shifted to the States.

On the question of local law enforcement and the question of port security, my State of Florida has 14 deep-water ports. The ports are an obvious target for those who are trying to do bad things to us. Right now only 3 percent of all the containers coming into this country are, in fact, inspected. A lot of this financial burden is being shifted to the States with the cuts that are being proposed in this coming appropriations bill to homeland defense.

Wait until there is another attack, and then what is going to be the answer when this administration did not insist on an appropriations bill that would fully fund the adequate protection for this country's homeland?

To come back to the issue of a tax cut, coming from Florida, I have a lot of folks who are retirees with a percentage of the population that is well above the national average—that is 65 and above—and, therefore, a lot of our population looks to income from dividends. In an ideal world, it would certainly be good if we could cut the tax on dividends and eliminate it, but we are not in an ideal world. We are in a war. We have increased expenses for war and, at the same time, we are in a sick economy.

We need to get this economy moving again. We need to stimulate this economy. How can we do that? We can do it by putting dollars in the pockets of everyone across the board so they will spend and let those dollars circulate through the economy and, thus, rev up the economic engine.

There is something else we can do with regard to business. We can give business the incentive to invest in more plant and equipment in the short term to create more jobs and to get the engine of the economy stoked up again. How can we do that? We can accelerate depreciation—not 5 years from now, not 3 years from now, but accelerate depreciation in the next year.

If we are looking at what works with regard to stimulating the economy, it would be my suggestion—and I think this is common sense—we pick tax policies and tax cuts that will directly do that now, not some hoped-for stimulation several years down the road.

When we balance that against all the needs in a huge deficit situation that is being projected as $250 billion in this present fiscal year—in other words, we are spending $250 billion more than we have coming in in tax revenue. When we realize that the sick economy is, in part, a reflection of lack of confidence of the American people in the future of the economy because of the deficit spending, while at the same time we are going into a war where we are going to have more expenditures, then the tax cuts that should be used should be surgically and strategically determined in order to stimulate the economy.

It would be this Senator's opinion that even though I would like very much to eliminate the tax on dividends and that would help a lot of my people, the first requirement of our people in Florida and this country is to get this economy moving again and to stimulate the economy. We could be much wiser in how we approach our ultimate decision on this stimulus of the economy through a tax cut.

I have been quite disturbed by what I see emerging as a means of cramming an appropriations bill down the throat of Congress by bringing about a number of major cuts in homeland security and education. The mechanism that is being employed is under the gun of shutting down the Government at the end of this month. A continuing resolution is being proposed, which is a resolution that continues the funding of Government under last year's appropriations levels, up through the end of this month, but there is a threat of shutting down the Government on January 31 unless there is a new continuing resolution or continuing funding of the Government. There are huge cuts being proposed in homeland security and education but some of us are going to fight that as not in the best interest of this country.