Mr. President, ''60 Minutes'' on Sunday night had a gripping story about a youngster, 12-year-old, who, during the bombing of our invasion of Iraq, lost both his arms. This young boy, whose name is Ali, came to the attention of people across the world and was given a chance to go to England, where he goes to school now. He was really inspiring when he talked about how he was going to make something of his life even though he lost both his arms. He is just an innocent victim of this war who lost family and friends in a bombing, a tragic incident we wished never occurred.

Keep in mind that these innocent Iraqis are part of this calculation about the future of Iraq as well. If this civil war is to come to an end, we not only need to start bringing American troops home, we need for the Iraqi Government to start making decisions to protect their people and project their future in a positive way.

I sincerely hope that at the end of next week when we present to the President the money necessary for the troops, we will also make it clear that we are taking a step forward to correct this failed policy in Iraq.

I might also add that if we are not successful in changing the policy with this bill, it is not the end of the debate. We are 4 months into this new Congress, 4 months since the Democratic majority took control of the House and Senate. In a little over 4 months, we have seen a dramatic change in the national debate on the war in Iraq. For the last 4 years, we have been sleepwalking through this policy in this war in Iraq with few challenges from Capitol Hill. The legislative branch of our Federal Government did little or nothing to meet its constitutional responsibility, to challenge the Executive when it came to policy and execution of that policy.

Now things have changed. Now, with a Democratic majority in the House and the Senate, the debate is underway, as it should be, a debate on policy. I think most Americans would agree that over the last 4 months with this new Congress, we have had a more active and vigorous debate on Iraq than any time since this war started. That is the way it should be. The American people believe Iraq is the primary issue on which we should focus, and we have, and we will continue to focus on Iraq. Even beyond the supplemental appropriations bill, we will move to a Defense authorization bill and a Defense appropriations bill, giving ample opportunity for Members on both sides of the aisle to come up with alternatives to deal with this failed policy.

In conclusion, there is one key to changing the failed policy in Iraq. The key to changing the failed policy in Iraq is 11 Republican Senators. When 11 Republican Senators reach the point that they want this policy changed, it will happen. We have 49 Democratic Senators who have voted repeatedly to change that policy. Two Republican Senators—the Senator from Oregon, Mr. SMITH, and the Senator from Nebraska, Mr. HAGEL—have stepped forward and joined us on the Democratic side. We need nine more. With nine more Republican Senators, the failed policy in Iraq will change. Why does it take so many? It takes 60 votes in the Senate to move forward a significant and controversial measure such as a change of policy in the war in Iraq.

I was heartened to learn last week that some Republican House Members met with the President. There were press reports afterward that they told him point blank that they can no longer continue to support his policies. Change has to take place. The President needed to hear that. I hope Republican Senators who feel the same way will step forward.

It is not enough for them to say we will come up with 11 different ideas and vote one at a time for each of them. That isn't the way this works. We have to put our minds together and try to find compromise and cooperation so that we can serve the best needs of America—not only our national security needs but the needs of our troops in the field and the needs of the Iraqi people. If 11 Republican Senators will join the 49 Democrats, this policy can change. We will give them that opportunity tomorrow with two cloture votes and then beyond that some votes I am sure next week on a conference report when we reach that stage in the proceedings, and then in subsequent legislation.

I urge my colleagues on both sides of the aisle in the spirit of compromise and cooperation to try to find ways that we can end this war in an honorable way, bring our troops home to the heroes' welcome they deserve, and say to the Iraqi people: The Americans have given you more than any nation could ever ask for. We have given you over 3,300 American lives of the best and bravest soldiers in the world. We have given you 25,000 injured soldiers, some with serious injuries they will carry for a lifetime. We have spent $500 billion. We have stood behind your country as you deposed your dictator, put him on trial, and executed him. We have stood behind your country when you wrote your Constitution and held your elections. We have been there for more than 4 years. Now it is your turn. Now it is the turn of the Iraqis to step forward and guide their nation forward.

We need to understand that we won't have a change in policy unless the President agrees to change—and it is unlikely he will—or this Congress forces a change. The only way that occurs is when 11 Republican Senators join 49 Democrats to make it happen and make it a reality.

Mr. President, I reserve the remainder of the time for the majority in morning business. I yield the floor.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

The Senator from Utah.

Mr. BENNETT. Mr. President, I ask unanimous consent that the time on the Republican side be equally divided among myself, Senator CORNYN, and Senator GREGG.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

BUSH TAX CUTS

Mr. BENNETT. Mr. President, we celebrate anniversaries around here. We find times to look back. Today happens to be the fourth anniversary of the Senate passage of the last of the Bush tax cuts. We have heard a lot of rhetoric around here about those tax cuts. We heard it in advance, we heard it as they have gone along, we continue to hear it.

I thought on the fourth anniversary of the Senate passage of the tax cuts it might be a wise idea to spend some time with some facts.

Our former colleague, Senator Gramm of Texas, always used to say: I tell my children never argue about the facts. Facts are things you can look up. Argue about what the facts might mean, but don't argue about the facts.

We don't take his advice as much as I think we should. We spend too much time arguing about the facts. Let's look them up.

One of the things we are told constantly is that since the passage of the tax cuts, the rich have gotten richer, the tax burden has shifted from the rich to the poor, and that this is terrible and we need to reverse that trend. Well, let's look at a few facts. Let's go back to the 8 years prior to the time of the Bush administration and see what happened in terms of the rich getting richer and the poor getting poorer.

While President Clinton was the President, dividing into five quintiles, which is what economists do, we see what happened to pretax income. During the Clinton years, in the lowest 20 percent, the bottom quintile, pretax income went down. In the second quintile, the pretax income went down. The red bars are prior to Clinton and the blue bars are after. In the middle 20th percentile, the pretax income went down. In the second highest quintile, pretax income went down. In the top quintile, pretax income went up between the time when Clinton was elected and the end of the Clinton administration.

Our source for this is the Congressional Budget Office. These are the facts.

What has happened since President Bush has been in office? Let's take a look at the same areas and look with the new data plugged in. It is very interesting.

Since Bush has been elected, the lowest quintile has seen their pretax income go up. The second lowest quintile has seen their pretax income go up. The middle quintile has seen their pretax income go up. The second highest quintile has seen their pretax income go up, but the top quintile, the top 20 percent, has seen their pretax income come down.

Once again, the source for these facts is the Congressional Budget Office. On this side of the chart, we see the share of pretax income. This is the number of people to focus on.

The share of income is very high for the top 20 percent and low for the bottom 20 percent. So we look at share and ignore the trend if we want to make the case that the tax cuts have been bad for people at the bottom. In fact, since Bush has been President, we see things have gotten better for people at the bottom.

This comes as somewhat of a surprise to those who were advising us when we passed the Bush tax cuts. I would like to quote from the Brookings Institution. They viewed the tax cuts, as they were proposed, and they had this cogent statement to make about the future, and I quote:

> Our findings suggest that the tax bill will reduce the size of the future economy, raise interest rates, make taxes more regressive, increase tax complexity, and prove fiscally unsustainable. These conclusions question the wisdom and affordability of the tax cut and suggest that Congress reconsider the legislation, especially in light of the economic downturn and terrorist attacks that have occurred last summer.

Very interesting. Reduce the size of the future economy? Since Bush has been President, the U.S. economy has grown more than the entire Chinese economy. Under the Bush Presidency, the U.S. economy has grown $2.7 trillion in GDP. The total Chinese economy is $2.3 trillion. They missed that one.

Raise interest rates? No. Make taxes more regressive? Well, let's look at that one in another chart. Increase tax complexity? I will grant them that. Congress increases tax complexity every time we pass a law. That is an easy prediction to make. And prove fiscally unsustainable? I don't think so.

Here is the relative income tax burden by income group, taking the specific prophecy made by the people at the Brookings Institute. The people in the lowest quintile were receiving that much earned income tax credit. In other words, their tax payments were negative. They received money in transfers. Now, since the passage of the tax cut, the amount of money they have received has been greater. The second lowest quintile used to pay a little taxes; now they receive transfer payments. The middle quintile paid that much taxes; now they pay less. The second highest quintile, virtually identical, but the trend line is down. Who has paid the most taxes? Who has had the greatest increase in taxes? It is the top 20 percent.

At the end of the Clinton administration, this is where it was, and at the end of the Bush term, this is where it is. Brookings was wrong on virtually every point, except their prediction that we would make the tax law more complex. That, as I say, is a prediction one can always make and always be sure of.

What about fiscal sustainability? I remember when I ran for reelection in 2004, right after the tax cuts, my opponents said, we have to bring down the deficit. The deficit is too high. I said: Not only is it going to come down, it is coming down. We see year after year, since the passage of the tax cuts, that the deficit has shrunk. It has shrunk in absolute dollars and it has shrunk as a percentage of GDP. We have the same word out of the Congressional Budget Office and OMB at the end of the first quarter.

Why would we get a shrinking deficit when we have cut tax rates? The answer lies in the dynamism of the American economy, and we look back again on this anniversary date to see what has happened to people's predictions. The red bars are the predictions that the Congressional Budget Office made of the amount of revenue we would receive from capital gains. They predicted that the capital gains revenue would stay flat or barely increase as a result of the reduction in capital gains tax rates.

We reduced the capital gains tax rates, and guess what happened. That is shown in the blue lines. The capital gains realizations—that is the money that came in—went up in 2003, higher than the CBO projection. It went up in 2004 even higher. It went up in 2005 even higher. In 2006, it knocks your socks off. They had predicted $54 billion in realizations, and the fact is, it was $103 billion. The actual capital gains tax receipts were substantially higher than projected by CBO.

Well, how can that be? If we cut the tax rates, how can we get more revenue? The answer to that, of course, is a reality that we so often forget around here, and that is the economy is not static. The economy is not a sum zero game that says: All right, if you cut it here, then you have to see it rise there. If we cut tax rates, we have to see the deficit go up.

We have seen exactly the opposite. We have cut tax rates, and we have seen the deficit go down. Why? Because people respond to economic incentives. When they have an economic incentive to form a new business, create a new opportunity, modernize a plant—because they would not have to pay so much in taxes as they previously had to pay—the new business, the new opportunity, the modernized new plant will create new jobs and creates new income and, therefore, more taxes, more tax revenue, even as the tax rates come down.

We have seen this historical fact again and again for decades, yet we continue to ignore it. The computers at the Congressional Budget Office are programmed not to take into account the growth in the economy and not to predict this kind of result.

So on this anniversary date, I thought I would simply share with the Senate a few facts that demonstrate that the tax cuts have been good for America.

Mr. CORNYN. Mr. President.

The ACTING PRESIDENT pro tempore. The Senator from Texas is recognized.

Mr. CORNYN. Mr. President, I wish to join the distinguished Senator from Utah, Mr. BENNETT, who gives, to my mind, one of the most cogent and understandable explanations for the economy given around here, and I wish to add a few comments about the fourth anniversary of the Jobs and Growth Tax Relief Reconciliation Act of 2003.

While we have a lot of people trained in a lot of disciplines who make their way to the Senate, I daresay there are not very many of us who have a background in economics or accounting or the type of disciplines that would help them make good economic decisions. The good news is that I think the fundamentals are pretty clear when it comes to what provides people an incentive to work hard and save, and what Government policies—particularly tax increases—make it harder for people to save their hard-earned money and invest it as they see fit—whether it is spending it on their family, investing in their children's college education or perhaps buying things that they would prefer—rather than having Uncle Sam stick his hand in their pocket and spend it on things the Federal Government wants.

It is important to go back and highlight some of the challenges our economy was facing when the Senate first passed this protaxpayer legislation 4 years ago. The economy was hit with not just a one-two punch but with a one-two-three punch. We were dealing with the fallout from the corporate accounting scandals of the late 1990s, the bursting tech bubble and, of course, the horrific attacks of September 11, 2001. All these events combined would have knocked out any other economy in the world. But because we acted with well-timed tax relief that put money back in the pockets of working men and women, small businesses and entrepreneurs, our economy bounced back. Indeed, our economy has roared back.

The 2003 act accelerated a number of individual and small business tax relief provisions Congress passed 2 years earlier. We allowed parents to take the $1,000 tax credit sooner. We accelerated relief from higher marginal tax rates—the marriage tax penalty and the alternative minimum tax. This legislation, passed 4 years ago, provided capital gains and dividends tax relief, which has helped increase economic activity and fill the Federal Government's coffers.

How could it be that Federal revenue has seen historic highs even as we cut taxes 4 years ago? Well, it is for all the obvious reasons: People respond to financial incentives when they know they are going to be able to keep more of what they earn. They work harder, risk takers and entrepreneurs invest in ventures that generate revenue not only for them—and create new jobs—but generate a lot more revenue for

Uncle Sam as well. That is exactly what happened here.

Since 2004, Government revenues have outpaced projections by the nonpartisan Congressional Budget Office, and the deficit this year could tumble to $150 billion, or about 1 percent of our Nation's gross domestic product. Things such as bonus depreciation and the $100,000 expensing provision have allowed entrepreneurs and small businesses to grow and create jobs. This tax relief has helped produce 22 straight quarters of growth, with 7.8 million new jobs over the past 44 consecutive months. That is an outstanding accomplishment, which makes America the envy of the world, and it is a trend we must continue as we face significant fiscal challenges ahead.

We can and we should take great pride in the economy's performance and look with optimism toward the future. As we move forward, the last thing we should consider is reversing the policies that have generated this kind of beneficial economic activity and created so many jobs in America. Unfortunately, this tax relief will soon expire, resulting in a tax increase for all taxpayers without a single vote on the floor of the Senate.

The other side is now pushing a budget that will result in a $736 billion tax hike for taxpayers over the next 5 years. This, unless it is reversed, will not only jeopardize future economic growth but also the financial well-being of millions of Americans—families, small businesses, and seniors. If Congress fails to make this tax relief permanent, the fourth anniversary of which we are celebrating today, every American taxpayer will see their taxes go up. For instance, a family of four with two children, making $50,000 in annual income, would see an increase of $2,092 a year in their tax bill, or a 132-percent hike.

Four years ago, many of our colleagues on the other side of the aisle argued that the Jobs and Growth Tax Relief Reconciliation Act of 2003 would not only not benefit our economy, they actually said it would endanger the economy. For example, the now-majority whip said:

> The Republicans who push this tax plan have to face stubborn facts, and facts can be stubborn. The last time they got a tax cut through, the American economy fell backwards. We did not make progress. We lost jobs. We lost opportunity. We lost a lot of hope in this country.

There is one thing I agree with the distinguished majority whip about, and that is facts are, indeed, stubborn things. Four years ago, the Senate voted for hope and against fear. It voted for progress and against stagnation. It voted for the entrepreneurial spirit and against command and control out of Washington, DC.

I think 4 years later we all have seen and can celebrate tremendous results as an outcome of this important legislation.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from New Hampshire.

Mr. GREGG. Mr. President, first I thank the Senator from Texas for his elegant statement and accurate statement. I want to pick up where the Senator has left off.

The Senator talks about the facts—and this is a fact—that revenues to the Federal Government have jumped dramatically in the last 3 years. In fact, in the last 3 years we have seen more revenues flowing into the Federal Government than ever in history, and the percentage of increase in those revenues has also been historic. As this chart clearly shows, we are now seeing revenues to the Federal Government which actually exceed the historic revenues to this Government. Historically, the Federal Government has gotten about 18.2 percent of the gross national product in revenue. Today we are up around 18.5 percent. We are headed towards 18.7 percent. That is a significant increase in revenues to the Federal Government.

What effect does that have? As the Senator from Texas said, it has had a dramatic effect on the deficit. Because we have gotten all this additional revenue, it has caused the deficit to drop dramatically.

The other side of the aisle argues: So what. Taxes are still too low on Americans. We should raise the taxes on Americans. So they brought out a budget which is going to increase taxes on Americans by about $700 billion. It is the largest tax increase in the history of the country, should that budget actually come to fruition—and it looks like it is going to pass, and I assume they are going to follow up on it. They mean what they say, on the other side of the aisle.

What will that do to Federal revenues, that dramatic increase in taxes? What will that do to the economy? We are not sure, but we suspect it will slow the economy dramatically. Some of these great gains that we have seen in the economy, the 22 months of expansion, the 7.4 million new jobs, may be significantly impacted by that type of a tax increase.

We also know it will create a Tax Code that is taking a lot more money out of Americans who work hard. We happen to believe, on our side of the aisle, we should let Americans keep the money they earn as much as possible, have a fair tax system, and as a result generate a benefit to working Americans by saying: Listen, if you are going to work hard, we are going to give you more money. We are also going to get more revenues, which is the way this has worked out.

Why have we gotten more revenues even though we reduced the tax burden on the American people? The answer is pretty simple. It is called human nature. When you set tax levels at a fair level—which is what we have today—people are willing to go out and invest. They are willing to go out and take risks. They are willing to work harder because they know they are going to get to keep more of what they earn. What does that do? That creates a stronger economy which puts more people to work, and that is what we want, more jobs for people and, of course, the more jobs you have the more tax revenues you end up getting.

In addition, especially in the area of capital gains, if you have a fair capital gains rate, which is what we have today, it causes people to go out and sell an investment which they might otherwise hold on to. If a person has an asset, say, a home or small business or stock, they don't want to sell that asset when they are going to have to pay 30 percent or 25 percent in taxes on that sale because they don't want to have to pay all those taxes for that asset they spent their whole life building up, trying to make ends meet, trying to create a nest egg for themselves. When you put a fair capital gains rate on that sale, which is today 15 percent—which is the fair rate which was put into place by President Bush's proposals—then people are willing to go out and sell that asset.

When they sell that asset, what happens? Two things which are very good for the Federal Government happen. No. 1, capital gains occur so we get revenues; otherwise, we would not get those revenues because people would just sit on those assets; they are not going to sell them and pay the high tax rate. When you have a fair tax rate, they sell them, the Federal Government gets the revenues, and the second thing that happens is they take that new money they have from the sale of that asset and reinvest it. By human nature, they reinvest it in something that is more productive. So you have a more productive society, where capital assets are being used more effectively, and as a result you get this great job creation and this economic growth.

In fact, in the area of capital gains, we have seen a dramatic increase in revenues. Capital gains have increased over what the projection was by CBO, the Congressional Budget Office, by 47 percent. It is a huge jump in revenues we didn't expect—or at least the Congressional Budget Office didn't expect—but which we received because human nature kicked in and people were willing to sell assets, take that money and reinvest it in things that are productive, create jobs, and as a result we got those revenues. That is why today the Federal Government is actually getting more in revenues than it got under the old tax law where the rates were a lot higher. That is why we have gotten more economic expansion, more jobs. That is the good news.

From the other side of the aisle we hear this constant patter: The rich are not paying enough taxes, and these tax laws are disproportionate in their application. I think we need to talk about that a little bit because let's see what has happened as a result of reducing these tax rates.

Basically, what has happened is that even with the lower tax rates today, wealthy people are paying more in revenues to the Federal Government than at any time in history. Today the top 20 percent of people in this country who have income are paying about 85 percent of the tax burden.

Let me restate that. The top 20 percent of people with income in this country are paying 85 percent of the Federal tax burden. Under the Clinton years, the top 20 percent of people with income paid 81 percent of the Federal tax burden. So even though we have cut rates, we have actually created more revenues from high-income individuals.

Again, you are going to say: How does that happen? Again, it is called human nature. If you have a high-income situation, individuals with a high income, they could either invest in opportunities which are going to produce taxable events or not produce taxable events. They have the position to do that. So if you have a fair tax rate they will take the risk. They will make the decision. They will be the entrepreneurs who create the job. As a result, they will make an investment which is taxable. But if you have a tax rate that is too high, which is what the other side of the aisle likes to have, then you basically create an atmosphere where these folks are going to go out and invest a fair amount of their money in things that are tax avoidance, legal tax avoidance but tax avoidance. They are going to invest in nontaxable events, stocks and bonds that do not generate income to them that is taxable.

What we have done is we have created a tax law where essentially high-income people are willing to go out and take risks and do it in a taxable way that generates revenue back to the United States. As a result, we have the top 20 percent of American income earners pay more in taxes today, significantly more than they did under the Clinton years.

The alternative is also fairly interesting. At the low end of the income scale, the bottom 40 percent of people who have income do not basically pay income taxes. Obviously, they pay withholding taxes, but as a practical matter that segment of our society pays virtually nothing in income taxes. They get money back, in fact, on the earned-income tax credit and other benefits the Federal Government puts in place.

Under the law today, under President Bush's law, those bottom 40 percent of income earners are now getting about twice as much back from the Federal Government as they did under the Clinton years. So what is the combined effect of these two facts, of these two things? The tax law—even though we are generating a lot more revenue for the Federal Government, even though we are well over that mean number of 18.2 percent of gross national product, even though we have had jumps in revenue of 11 percent, 9 percent, 15 percent—we actually have a tax law today that is generating more revenue but is also more progressive. High-income individuals are paying more of the tax burden. Low-income people are getting more money back from the Federal Government.

There is another factor that needs to be pointed out, and that is what is happening to senior citizens. Senior citizens disproportionately benefit from a low dividend tax rate. Why? It is logical, obviously. Most seniors are retired. If they have income, it is going to be Social Security, some pension program, or dividends, and most pension programs also involve dividends. So senior citizens are really the people who are benefiting the most from a low dividend tax rate. Yet the folks on the other side of the aisle have just passed a budget where they want to jump the tax rate on dividends by 100 percent. They want to go from a 15-percent tax rate to a 30-percent tax rate on dividends. Who are they going to hit? They are going to hit senior citizens, primarily. That is the people they are going to hit.

If you look at the proposals from the other side of the aisle, they come out of a 1930s philosophy of economics, which was pretty soundly rejected in the 1960s, the 1970s, the 1980s, and the 1990s, but they are still attracted to it.

It is a theory that says you just raise taxes. The Federal Government will get more money, and we will spend it for you. In other words, there is a theory that says we are smarter than you. We have been elected to the Senate. We are good members of the Democratic Party. We know more than you know. Therefore, we should take your money and we should spend it for you and we can spend it more effectively than you can spend it.

That is a philosophy that should and has been rejected as we move toward a much more market-oriented economy. It is also a philosophy that presumes the higher taxes always generate more revenue to the Federal Government, which is not true. Higher taxes, actually, in many instances reduce revenues to the Federal Government because they reduce economic activity. They certainly reduce expansion of the economy, and they reduce the creation of jobs.

Three Presidents have proved beyond any reasonable doubt when you lower income tax rates, you generate economic expansion because people are just people. They just have common sense. If they know they are going to be able to keep more of their money, they are willing to go out and work harder to get more money. But they also know if the Federal Government is going to take more of their money, and a disproportionate amount of their money, they are not going to work quite so hard. They are not going to take that risk. They are not going to create that restaurant or open that little small business, create those jobs, because they don't want to have to pay all of their money to the Federal Government.

President Kennedy knew that and that is why he cut income tax rates and was successful in generating revenue to the Federal Government. President Reagan knew that and he cut income tax rates. As a result, the revenue to the Federal Government jumped and the economy expanded. President Bush has shown it once again: Cut income tax rates, expand the economy, and as a result get a fair tax level and human nature kicks in and revenues flow into the Federal Treasury.

What is unique about President Bush's initiatives is that at the same time he has cut rates, he created this much more progressive system which I just outlined. The fact that high-income taxpayers are now paying so much more of the Federal share of income taxes than they did under the Clinton years, and lower income individuals are getting much more back than they did under the Clinton years, makes for a more progressive system. It also disproportionately benefits senior citizens, people on fixed incomes, because of the dividend rate.

Unfortunately, though, we now have the Democrats presenting to us a budget which wants to take us to the French path, which essentially is going to dramatically increase the cost to the Federal Government, to Americans, and as a result dramatically increase the tax level on Americans. We will go down that path that France has gone down.

I have to tell you, it doesn't work in France. Productivity is not up in France. Jobs are not being created in France. People don't want to go out and work harder in France. And they certainly do not have a more progressive or effective economic system than we have in the United States.

I think we should reject the Democratic approach under their budget of raising taxes and stay with this tax law that is raising so much new revenue and is so progressive and has such a strong benefit for senior citizens.

I yield the floor.

I make a point of order a quorum is not present.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mrs. BOXER. I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. CASEY). Without objection, it is so ordered.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is closed.