I yield the floor.

The PRESIDING OFFICER. The Senator from New Hampshire is recognized.

Mr. GREGG. Mr. President, are we in morning business?

The PRESIDING OFFICER. We are.

PAY-GO

Mr. GREGG. Mr. President, this morning, while I was working out in the gym, on the air came one of my friends, a gentleman with whom I enjoy serving, who has a great sense of humor—Senator SCHUMER from New York. He was being interviewed by the CNBC team, which is a great and enjoyable team to watch: Mark Haines and Becky Quick and others—David Faber. He said the Democratic Party had been disciplined because they had used pay-go as a way to control spending here in the Congress.

I almost fell off the treadmill, because that statement is so outrageous that it could only be made by somebody from New York who sees things in big pictures, sees the forest but misses the trees. The statement represents, or implies, that pay-go is a fiscally disciplining event around here when just the opposite is what has occurred. Pay-go has become a term of art which has a nice name, and which is thrown out by some of my colleagues on the other side of the aisle as their representation of fiscal discipline, but in fact it has become a mechanism for spending money at an outrageous rate in entitlement and mandatory accounts.

I don't call it pay-go anymore, I call it ''Swiss-cheese-go.'' The record is now pretty clear. Since this Congress came into being under the control of the other party, with the representation that pay-go was going to be used to discipline spending around here, there have been 13 major incidences—these don't count the minor ones—major incidences of pay-go being waived, manipulated, or manhandled so that it didn't apply to spending.

Items which should have not been allowed to occur, spending initiatives which should have been subject to the pay-go rules have been ignored, manipulated, or gimmicked so that pay-go did not apply on these 13 incidents, which now total $143 billion—billion—in new spending.

So when Senator SCHUMER spoke on CNBC this morning—I think he was being asked by Mark Haines—Mark Haines said to him: Will pay-go survive? Senator SCHUMER said: Sure, it will survive. We are committed to this type of fiscal discipline.

What Mark Haines should have asked is: What happened to pay-go? Why have so many holes been put in the process? Why has the Democratic leadership allowed it to be waived, manipulated, and gimmicked so that $143 billion of spending, which should have applied to pay-go, which should have had pay-go applied to it, has simply been allowed to pass?

Well, it is very simple. Pay-go was never meant to discipline spending. It is a fraud to represent that pay-go is used to discipline spending. Honestly, if we as a Congress had to sign financial statements the way we make people sign financial statements in the corporate world as a result of the Enron case—you know, the heads of our various corporations have to actually sign their statements, and they are subject to criminal penalty if they are inaccurate.

If we were forced to sign a fiscal statement that said we were using pay-go to discipline spending, we would all go to jail because if we signed that statement we would be defrauding the American people at a level that would make Enron look like a little exercise.

Now, $143 billion of fraud has occurred under the alleged pay-go rules because pay-go, which should have applied, has not been applied. But this is just the first step in the exercise of profligate spending around here. This is one of the more ingenious ones because under the name of pay-go, we are representing that we are controlling spending, when, in fact, using pay-go, we are actually spending $143 billion.

There is the second step, which is the discretionary side. This is all entitlement spending, of course. Now, $23 billion is being spent over what the President requested this year. We hear from the other side of the aisle: Well, it is only $23 billion. It is being spent on good causes. Everything gets spent on a good cause around here.

Then in the Labor-HHS bill, which represents $11 billion of that $23 billion, obviously many good causes are listed. But what people fail to mention is, first, $23 billion is a lot of money. In fact, there are something like 30 States in this country which could operate their entire budgets on $11 billion; $23 billion would probably be the budget of almost every State in this country.

But this builds the baseline. This $23 billion is not the end of the number we are spending, it is the beginning of the number of the add-ons. When you take it out to 5 years, the baseline jumps by $133 billion. If we take it out to 10 years, that is $313 billion—billion—of additional spending.

So this is not just $23 billion of new spending that is being spent above what the President believes is necessary in order to operate the Government, it represents $313 billion of spending over 10 years. That is a big number. That is a massive number. You could do a lot with that amount of money. You could cut a lot of taxes, for example. You could eliminate the double tax on people who are married, which is going to go back up in 2010, if you did not spend this money.

You could give higher tuition tax credits to people trying to get their college degrees if you did not spend this money. You could extend the capital gains and dividends tax rates, which disproportionately benefits senior citizens, especially the dividends tax rate if you did not spend this money.

This is real money. Real money—$23 billion this year totals $313 billion over a 10-year period. So you take this $313 billion and you attach it to the swiss-cheese-go attack here of $143 billion. You are up to half a trillion dollars, half a trillion dollars that this Congress has spent in 10 months. They have only been in charge for 10 months—half a trillion dollars.

Multiply that out. My goodness, you are up to $2 trillion over the term of this Congress, theoretically. Now, $2 trillion, that is even real money by Democratic terms. I think colleagues on the other side of the aisle would even agree that $2 trillion is a lot of money.

Now, that might be a bit of hyperbole, but the half a trillion dollars is not. That is how much this Congress has cost the American people in the first 10 months in office, while they have been living under the fiscal discipline of pay-go, while they go on TV shows and say: We are disciplined because we believe in pay-go.

As a result of that, we get half a trillion dollars of new spending.

Well, that is a lot. We have a bill on the floor right now that regrettably follows on with this exercise in excess and profligateness. The farm bill alone has $34 billion of gimmicks in it to try to avoid budget discipline, $34 billion of gimmicks. That is huge. I think it adds four new major subsidy programs for new crops, including asparagus and camellia—I do not even know what that is—and a variety of other crops; creates or authorizes programs which study or work to alleviate stress on farmers; adds Chinese gardens in places; does a little gimmick which is even creative by the creativeness of this place, creates a new standard of creativeness where they now are taking entitlement spending and freeing up entitlement spending by giving tax credits.

In other words, they create a new tax credit, and the purpose of that tax credit is to pay for items which historically have been paid for by entitlement spending under the farm bill, mandatory spending. Since they no longer have to pay for that with mandatory spending, they have created an extra $3 billion they could spend on new farm programs.

So the farm bill itself is a continuation of this exercise in making the concept of pay-go superfluous. And, certainly, the claims that pay-go applies around here are fraudulent. It is about time, hopefully, people start paying attention.

When you are up to half a trillion dollars of new spending in 10 months, much of which has been done outside of the budget window, so that the budget rules have not been allowed to apply to it, that gets to serious money. It gets to a serious lack of fiscal discipline.

I hope we would change this course, but we do not appear to be changing this course. We actually appear to be aggravating this problem by bringing forward bills such as the farm bill, which continues this failure of fiscal discipline.

Who has to pay for all of this? Well, I see those young pages. They are enthusiastic, they smile, they help us out. Regrettably, every day they are here—most of them have been here for a little while—we add about a billion dollars to their debt.

Interesting how this adds up. But that $500 billion has been put on the books in the last 10 months. We are not going to pay for it. Our generation is not going to pay for it. These pages and their generation are going to have to pay for it. It is all debt. It is not fair to them, and it is certainly not fair to the American people to represent that we are exercising some sort of fiscal discipline around here under the term ''pay-go,'' when, in fact, just the opposite is happening. That is used as a stalking horse, not for fiscal restraint but for spending.

Mr. DURBIN. Would the Senator yield for a question?

Mr. GREGG. I would be happy to yield for a question.

Mr. DURBIN. I just have one question for the Senator from New Hampshire. As I understand it, the President is going to ask for $196 billion for 1 more year in the war in Iraq, not paid for.

So would the Senator be voting against the President's request for $196 billion, unpaid for, to continue the war in Iraq?

Mr. GREGG. Well, that is a good question, an excellent question. And the answer is, the first obligation of a Federal Government is to defend the country. And when you have soldiers in the field, you do that. You pay for them being in the field.

I would suggest the way we could pay for that, in fact, would be that we not waive the pay-go rules for this $143 billion of spending which has nothing do with national defense or, alternatively, we could eliminate the $23 billion of nondefense spending which has been added by the Democratic Party in this year's budget cycle. That would save us a significant amount of money.

So I would be happy to pay for it by cutting either of those accounts. But, in any event, I am going to pay for soldiers who are in the field.

Mr. DURBIN. Will the Senator yield for a further question?

Mr. GREGG. I would be honored.

Mr. DURBIN. Can the Senator tell me how many Presidents in the history of the United States of America have proposed tax cuts in the midst of a war?

Mr. GREGG. Well, I would be happy to respond to that if I knew the answer, but I do not. But let me talk about the tax cuts. The tax cuts which were put in place were put in place prior to 9/11. As a practical matter, had they not been in place, the effect of the burst of the Internet bubble in the late 1990s, which was the occurrence of a dramatic expansion of the economy with a paper expansion of equities being issued for companies which had value in the late 1990s, was a speculative event.

That collapse, coupled with the 9/11 attack which put this country into trauma, both physically and politically, but also economically, would have led us into a very severe recession if we had not had those tax cuts.

The fact that we put those tax cuts in place early in this administration has led to economic growth, which has led to 43 months of growth, 8.7 million new jobs, and interestingly enough, those tax cuts have actually led to our revenues today being at a historic high. Over the last 3 years we have collected more money in revenue growth than we have received at any time in our history.

We are now getting 18.7 percent of gross national product in revenues, when historically we usually get about 18.2 percent. And the vast majority of that revenue growth has come directly from the cut in capital gains rates, as we have received over $100 billion of new revenue in just the capital gains activity.

So I would say, first, the tax cut was not put in place during the war. It was put in place at the beginning of the war; and, secondly, it has had the right effect, which is to energize economic expansion and energize revenue to the Federal Government.

I do appreciate that question.

I yield the floor.

Mr. DURBIN. Mr. President, how much time is remaining on the Democratic side?

The PRESIDING OFFICER. There remains 11 minutes.

Mr. DURBIN. Mr. President, I have the greatest respect for my colleague from New Hampshire, and he and I have had many conversations about our views on spending and budget policy.

Although he is critical of the pay-as-you-go approach, which the Democrats have brought to Congress since we came into the majority this year, the fact is, the Republicans, the so-called fiscally conservative party, never, ever initiated pay as you go.

What is ''pay as you go''? It is something with which every family is familiar. If you want to buy a new washer and dryer, do you have the money? If you do not have the money, you do not do it. You may borrow the money, but we are trying to avoid that.

Pay as you go says, if you want to spend new money on new projects, you either have to raise taxes or cut spending. If you want to cut taxes, you either have to increase another tax or cut spending. It is just that simple.

The Republicans, the fiscally conservative party, or so they brand themselves, did not initiate this. The Democrats did. And we are living by it.

The Senator quarrels with some of the conclusions on various bills. But he has to concede, I hope, the point that we are doing this, and doing it in a fiscally responsible way, and it is painful. It is not easy. It was far easier when the Republicans controlled Congress. They gave tax cuts to the wealthiest people in America, adding to our deficit without cutting spending on programs, without increasing other taxes. They gave tax cuts.

When the Senator from New Hampshire says that when the President asked for $196 billion for the next year for the war because he wants to stand behind our soldiers, he expresses a partial sentiment we all share. We don't want to shortchange the soldiers in any way. But isn't the fiscally and morally responsible way to fund a war to pay for it? The documentary of Ken Burns on World War II talked a lot about the sacrifices Americans made to fund the war. It ran up quite a debt. Families across America bought U.S. savings bonds to help fund the debts of America. It was a special effort, a special sacrifice. This President, this administration has never asked for that level of sacrifice from anyone other than the soldiers and their families.

Instead, what he has said to the rest of America is: While we wage a war that costs almost $200 billion a year, $10 or $12 billion a month, we are going to give tax cuts to the wealthiest. So when my colleague from New Hampshire comes to give us pious exhortations about fiscal soundness, I am at a loss to understand how he can continue to vote for the war and $196 billion that is not paid for. If he believes we have to pay as you go, why wouldn't he want to pay for the war as we go? Clearly, he makes an exception.

When the President receives a bill such as the Labor-Health and Human Services legislation, which has $10 billion more in spending than he asked for, he says he will veto it. What is included in that $10 billion? For the first time since the President came up with the notion of No Child Left Behind, we are going to make a massive investment to help school districts get test scores up, improve the education of kids. The President vetoes it. He voted for the test. He voted for the critique of schools but would not provide the resources for those schools to improve test scores.

There is also money in there the President didn't ask for, for medical research at the National Institutes of Health. I would take that one on, on the stump, with the President any day. Let's have a debate on that. Should we spend $196 billion on the war in Iraq or should we at least put enough money in to improve medical research at the National Institutes of Health? It is a small amount in comparison. Most Americans believe as I do, that a strong America begins at home. It begins at home with health insurance for our children, a bill the President vetoed. It begins at home with better schools for our kids, which the President is about to veto on the Labor-Health and Human Services legislation.

It begins at home when we realize medical research is important for all of us. None of us knows what tomorrow may bring. We want to know if we are stricken, or someone in our family, we can count on the best minds in America looking for the cures. The President says we can't afford that. He is going to veto it.

Shortly, we will vote on something called the Water Resources Development Act, $23 billion over 5 years and $23 billion is a lot of money. How does it compare with the war that costs us $12, maybe $15 billion a month? The $23 billion for water resources development is money invested in America to build our infrastructure, the levees, the locks and dams, the things that are critical for America to function and succeed. The President says we can't afford that. He vetoed the bill. I hope we override it.

In the meantime, I hope the Labor-HHS bill, the one that includes money for No Child Left Behind and medical research, is a bill the President will reconsider and sign. If he does not, I hope on a bipartisan basis we will override that veto as well.

This President, for 6 years, never discovered his veto pen. Now he has found it. He has used it to veto our efforts to change direction in the policy in Iraq. He has used it twice to veto stem cell research to fund cures for diseases which threaten Americans and their families. He has used it to veto the Children's Health Insurance Program. He now threatens to use it to veto money for our schools. A pattern is emerging. This President, when he gets up in the morning and looks out the window of White House, sees Iraq. He does not see America and the American families who count on us, those families going to work every day who don't have health insurance for their children, those families sending their kids to school who are disappointed with test scores and believe their kids can do better and we can do better, and those families who want the American economy to be strong, creating good-paying jobs here at home that cannot be outsourced.

The President's veto pen is defining his Presidency. As it comes to a close, it is telling us his priorities. His priority is a war, a war that has cost us over $500 billion and, even more importantly, almost 3,900 American lives. America's priorities are not only to be safe and secure but also to make sure this economy grows and the people in America striving for opportunity and for a better day tomorrow have a chance through the programs we are supporting in this legislation.

I yield the floor.

The PRESIDING OFFICER (Mr. AKAKA). The Senator from South Dakota is recognized.

Mr. THUNE. Mr. President, I ask unanimous consent to speak as in morning business.

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

Mr. THUNE. Mr. President, I have been listening with interest to my colleagues from New Hampshire and Illinois talk about tax cuts and pay-go and all those issues we deal with on a daily basis. It strikes me that the thing that seems to get lost by our colleagues on the other side when it comes to reducing taxes is that when you reduce taxes, you actually get not less government revenue but more. History has proven that. It has proven it time and time again, going back in the 1920s under Harding, the 1960s under Kennedy, the 1980s under Reagan, and currently. If you look at what has happened, when you reduce the marginal income tax rate and the capital gains tax rate, you actually not only see the job growth we have seen—as my colleague from New Hampshire noted, 8.7 million new jobs—22 consecutive quarters of economic growth, lowest unemployment numbers in a generation, but you also see a dramatic increase in Government revenues.

It was predicted, at the time of the tax cuts in 2001 and 2003, that all this money was going to be lost because somehow the Government wasn't going to have enough money to do things because we were going to reduce the tax burden on the American people. What has happened is the exact opposite, which has been a historical fact, that when you reduce taxes on hard-working people, they take the realization of paying less taxes, they reinvest that, create more jobs, and you get more Government revenue.

If we look at the last several years, we have seen Government revenues coming into the Treasury increasing 12 percent, 13 percent, this year 9 percent, at least the last numbers I had. But the fact is, revenues have been going up. We reduced the tax burden on the American people. Everybody says: But it just helped those on the wealthy end of the income spectrum. Again, I submit that when you reduce marginal income tax rates, as we did, everyone on the income scale benefits. People on the lowest income scale went from a 15-percent marginal income tax rate down to 10. They benefited directly as a result of the tax relief enacted by the Republican majority.

Frankly, this is a philosophical debate that goes on in the Congress year after year after year, but we happen to believe that when you allow the American people to keep more of what they earn, allow them to invest that in their family and their community, you get a much better outcome than when you send your dollars to Washington, DC, and allow the Government to spend it for them. When you allow the American people to put their dollars to work, you create more jobs, grow the economy, and you see the dramatic expansion in Government revenues that we have seen over the past 3 years.

When it comes to the capital gains tax rate, that again has led not to less Government revenues but to about a 65-percent, somewhere in that neighborhood, increase in capital gains tax revenues coming into the Federal Treasury over the period since 2004, when the 2003 tax cuts were enacted. Since that period, we have seen a dramatic increase in capital gains tax revenues.

Everybody can put up their charts and talk statistics, and we have a lot of that in Washington, but you cannot create facts. You are entitled to your opinions but not your own set of facts. In this case, the facts are clear. That is, when you reduce marginal income tax rates and capital gains tax rates, the American people respond. We have seen more Government revenue as a result.

FOCUSING ON IMPORTANT WORK

Mr. THUNE. Mr. President, the clock is ticking on calendar year 2007. There is not a lot of time left. We have a pile-up of legislation that has yet to be enacted. If you look at the accomplishments so far in this first year of the Democratic majority, there has been very little accomplishment and very little in terms of milestones. In fact, if you look at the milestones, they are not milestones you would be very proud of. It seems to me much of the agenda in the Congress in this last year has been about embarrassing the President or creating showdowns with the President or satisfying some liberal special interest group, rather than doing the work of the people. That is the cause of the low approval ratings the American people have of the Congress.

Part of the agenda has been, we have a President whose approval ratings are not that good. Let's see if we can create showdowns with him and try to embarrass the President. The reality is, the President's approval ratings are about three times that of the Congress. One of the reasons the American people have a low opinion of the Congress is because of all the partisan fights and a lack of a record of accomplishment and not focusing on the problems they want to see solved. Those are the challenges and the problems that face this country going forward.

When Congress has an 11-percent approval rating, our colleague, Senator JOHN MCCAIN, says: When you get to that low a level of approval rating, you are talking about paid staff and blood relatives. Regrettably, that is probably the case. But nevertheless, we can change that by focusing on the important work of the American people and actually moving the agenda forward.

By way of example, because I do think numbers are important, I am a big believer in facts and numbers. President Reagan used to quote John Adams who said: Facts are stubborn things. If you look at fiscal year 2008, we have zero spending bills signed into law. In fact, it has been 20 years since we reached this time on the calendar without a single spending bill having been sent to the President for signature. It has been 20 years since it took