to any type of economic group you want, but everybody does well because the total capital gains rate.

I happen to believe our economy is doing well because we have worked hard in the last decade, decade and a half, to hold down taxes, to reduce the regulatory burden, and to promote good economic growth.

The last effort by the Republicans in the Congress to make sure we continue to have good, strong economic growth in this country was when we dropped the capital gains rate. Nobody is talking about the profound impact that reducing the capital gains rate has had on this country’s economic growth. Historically, every time we have dropped capital gains, whether it was during the Kennedy administration or whether it was during the Reagan administration, we’ve seen that happen in my own State of Colorado—revenues to the Federal Government increase.

Today tax revenues to the Federal Government are at a historic high. There is a windfall. There is more money coming into the Federal Government than any of us would have imagined. I think we need to give back some change to the American people. It is their money. They worked hard to earn the money. Consequently, I think they should be the primary recipient of a windfall.

The people of Colorado were blessed because a Republican legislature, with a Republican Governor, returned dollars that came in unexpectedly as revenues to the State of Colorado. They turned it to the taxpayers of Colorado, the people who earn the money, who pay taxes. I happen to think my State of Colorado, under their leadership, has set an example for the country. Certainly hope this Congress will move forward with a meaningful tax break that will make a difference in people’s lives.

We hear a lot of figures thrown around here on the floor. We just heard an example of some of the numbers that had been thrown around this morning and then this afternoon about what is happening to our budget.

We have figures that have come out of OMB. We have figures that have come out of CBO. Let’s just take one agency so we are comparing apples with apples and oranges with oranges. I don’t think it is fair to pick some of the figures out of OMB and then some of the figures out of CBO and make comparisons. We need to go with one agency.

Let’s make a comparison between what the President has done with his plan and the Democrat Party, and what the Republican leadership is pushing for. Let’s take the figures from the Congressional Budget Office and see what they look like, comparing the President’s budget with what the Republicans are putting together and what they would like to see happen for the future of America.

The President’s budget, as reported in the recent report issued by CBO, on July 21, 1999, would leave a public debt of $1.80 trillion in 2009. When you compare that to the Republican proposal, it is over $300 billion higher than the President’s plan. The amount left under the congressional budget resolution and the tax cut.

Let’s look at the President’s budget in terms of the total surplus under CBO’s scoring. CBO says the President’s budget saves just 67 percent of the total surplus. Now, that compares to a 75-percent saving of the total surplus by the congressional budget resolution and tax cut on the Republican side. President Clinton’s budget contains $1 trillion in new spending. I think this is really more about spending than about taxes. The President wants to have the money so he can continue to spend more and more. We have heard from the big spenders. They would have much rather increased spending than cut taxes. If I think we ought to cut taxes instead of increasing spending.

President Clinton’s budget, again, contains $1 trillion in new spending. That is 25 percent larger than the Republicans’ $792 billion reconciliation tax cut. President Clinton’s budget increases taxes by $100 billion over the next 10 years, according to the CBO report, in contrast to the largest middle-class tax cut since Ronald Reagan that is being offered by the Republicans. President Clinton’s budget spends the Social Security surplus, the off-budget surplus, for fiscal years 2000, 2004, and 2005 by a total of $25 billion. Now, that is in contrast to the congressional budget resolution and tax cut where the Social Security trust fund is not raided at all in any year.

Even Democrats don’t agree necessarily with their own President on how to do. To say that the responsible thing to do is still not to provide a single cent in tax relief, despite a $1 trillion personal income tax overpayment. I would be glad to run against any Democrat who would come up and say that he supports the President’s plan which proposes to increase taxes by $100 billion over the next 10 years, a plan that, despite the largest Federal budget surplus in history, wants to increase taxes, wants $1.1 trillion more spending than a Congress which is adhering to the 1997 budget agreement, which raider Social Security for $30 billion over the next 10 years, which retires over $200 billion less in public debt than the Congress, and which would still not provide a single cent in tax relief, despite a $1 trillion personal income tax overpayment.

I am strong in favor of a tax cut, and I am strongly in favor of paying down the debt. As Senator Enzi mentioned in his comments earlier this morning, we can do both. We can pay down the debt. We can provide a tax cut, and that is the responsible thing to do. To say that the responsible thing to do is more spending, I believe, is irresponsible.

I want to let it be known that I am strongly in favor of a tax cut, and I am strongly in favor of paying down the debt. I believe we can do both.

I yield the floor.

ORDER OF PROCEDURE

Mr. BAUCUS addressed the Chair. The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, if the other side had time, which they did not, I want to let it be known that I am strongly in favor of a tax cut, and I am strongly in favor of paying down the debt. I believe we can do both.

I yield the floor.
Mr. ALLARD. Mr. President, if he asks unanimous consent to be allowed to speak for 2 minutes, I will be glad to yield that time.

Mr. BAUCUS. Mr. President, I ask unanimous consent to speak as in morning business when the Senate reconvenes at 2:15, for 15 minutes, and that Mr. SESSIONS be allowed to speak for 12 minutes as in morning business immediately following my remarks.

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

THE PRESIDING OFFICER. Under the previous order, the Senate stands in recess until the hour of 2:15 p.m.

Thereupon, the Senate, at 12:27 p.m., recessed until 2:17 p.m.; whereupon, the Senate, pursuant to order of the President, reconvened when called to order by the Presiding Officer (Mr. INHOFE).

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, when the tax reconciliation budget comes before the Senate tomorrow, I plan to offer an amendment which will provide for a lockbox on the Social Security surplus; that is, all the payroll tax surplus that would otherwise go to the Social Security trust fund would be locked into that trust fund. The amendment also provides that one-third of the onbudget surplus be set aside for Medicare.

Why am I doing that? Very simply, Mr. President, because I believe that as we leave this century and this millennium and as we move into the next century and the next millennium, we are faced with a historic opportunity to make decisions that are going to either correctly or incorrectly affect lots of Americans.

What do I mean? Very simply this. A little history first:

About 18 or 19 years ago, after the 1980 elections, this Congress passed a very large tax reduction bill—very large—proposed by the President and passed by this Congress.

What happened as a consequence of that very large tax cut in 1980? I think all commentators will agree—at least a vast majority of commentators will agree—that it caused the deficits in this country to shoot up and the national debt to rise. That tax cut was accompanied by a big increase in defense spending. I am not going to quarrel how much that increase was correct or incorrect. But the agreement is—and by far most people agree—that as a consequence of that action deficits rose dramatically.

If we add up the annual deficits beginning with President George Washington and continuing every year through all the Presidents in American history, up through and including Jimmy Carter, they total about $1 trillion.

In 1988, when Congress passed a tax cut, what happened? The national debt shot up. Why? Because deficits shot up. The national debt in 1980 was about $1 trillion. Twelve years later, the national debt was about $5-, $6-, or $7-trillion. It increased $4- or $5-trillion from $1 trillion to $6- or $7-trillion in that 12-year period—a huge national debt—and we are paying interest on that national debt in the neighborhood of $267-to-$360 billion a year. That is what happened.

What did Congress do? It passed two tax increases. The Republican President, Republican Congress, passed two tax increases. There was a significant tax increase in 1982 because the deficits were out of control, 1984, another tax increase with the Republican President, Republican Congress because the deficits were still going out of sight. That is what happened in the 1980s when Congress was tempted and succumbed to the get-rich-quick siren song with huge tax reductions. That is what happened: instant gratification.

However, the future kids and grandkids paid for it in the national debt increase. We passed on the burden and gave it to ourselves, saddling the future with the burden. That is what we did in 1981, pure and simple.

In 1999, what happened? Through a lot of factors, including the Democratic President and the Democratic Congress in 1993, we enacted a large deficit reduction, half tax increases and half spending cuts. Economists agree, as a consequence of that, the national deficit started coming down. The debt starting coming down.

That is what happened, and for a reason the deficit started coming down. The economy was doing pretty well. Interest rates were down, probably because the market saw the President was going to get a handle on spending and handle on the deficit because the deficits were so high. With increasing technology and globalization, American firms became much more competitive in competing in world markets. The American economy did very well in the last several years as a consequence of all those factors. Incomes have gone up, payroll tax revenues have gone up, and income tax receipts have gone up.

What does that mean today? In 1999, we are projecting a $3 trillion surplus over the next 10 years. Mr. President, after Medicare, $2 trillion of that is payroll tax revenue increases, which we all agree will go to the Social Security trust fund; $2 billion of the $3 billion comes from payroll taxes, and we all agree it will go to the Social Security trust fund. That leaves $1 trillion in the surplus. That $1 trillion is generated by income tax receipts.

The question before the Congress is: What are we going to do with that $1 trillion? That is the question. As we are poised to move into the next millennium, I say we have to make careful decisions about that. We better not blow it. We better be careful, be prudent with the taxpayers' money, and do what is right.

What is right? I have two charts. The first chart shows the proposal that will come to the floor tomorrow, passed by the majority party, that will provide for a huge tax cut of $792 billion over 10 years. You have to add back $179 billion in interest in over 10 years on the national debt because of the tax cut. That means the debt will go up, with more interest payments to make. What does that leave? That leaves $7 billion less after 10 years. That is all.

Man, oh, man, I could stand here for days and days and talk about the problems we face. And one of them is a huge tax cut proposed by this Congress and the President that the economy will not do so well over a good part of the next 10 years compared to the last 5 or 6 years.

This is a projection. What do we do with the projection? We are locking in tax cuts for the future, offset by a hope that we will have the revenues to pay for it. That is what we are doing. That is one thing that is wrong with this: A tax cut in place by law, offset by a hope that the money will be there—and it probably won't be there.

Second, I point out that the tax cuts are, in fancy parlance, backloaded. Most go into effect near the end of the 10-year period, meaning in the next 10 years, boy, we will really pay. That is the deficit; deficit will increase. If I said "deficit" increase, not "surplus." The next chart shows that the baby boomers will start to retire about the year 2010, and in 2020 and 2030 most people will be entering retirement age. That is when the tax cuts go into effect an even greater amount, meaning we have less money to take care of the baby boomers.

I say the size of this tax cut is much too much. Alan Greenspan does not agree with it. He says now is not the time for a tax cut because he fears it will tend to put upward pressure on interest rates. We all don't want to see an increase in interest rates.

In addition, there is nothing left over for Medicare. Medicare is an extremely important program for Americans. Ask Americans which national programs they think make the most sense, and most, I daresay, think Social Security is one and Medicare probably is another. Before Medicare went into effect, 50 percent of seniors had no health care; 50 percent had no health care benefits or programs when Medicare went into effect. Now virtually every senior has some kind of health care program.

July 27, 1999