

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.

RECESS

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 reassembled when called to order by the Presiding Officer (Mr. INHOFE).

The PRESIDING OFFICER. The Senator from Montana is recognized.

THE TAX "SURPLUS"

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 1981? 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 \$280 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 going out of sight and, in 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 not the only reason the debt 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, \$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 ought 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 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 with that proposal. Let me mention a few. No. 1, this is only a projection. We have no idea what the surplus will be over the next 10 years. It is just a guess. Most commentators think the economy is overheated now. Maybe there is a bubble economy, and maybe 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 when the deficit will start to increase. 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 baby boomers will be hitting 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 knows 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.