metal detectors. It also has programs included for alcohol and drug abuse, and it has some values provisions in it. The House has passed a good bill which did not include the gun provisions. I hope this will be a juvenile justice bill when it comes back from conference.

I do think the right thing to do is to go to conference. I appreciate cooperation in making that happen.

DEPARTMENT OF DEFENSE APPROPRIATIONS, 2000

The PRESIDING OFFICER. Under the order of the Senate of June 8, 1999, the Senate, having received H.R. 2561, will proceed to the bill. All after the enacting clause is stricken and the text of S. 1128 is inserted. H.R. 2561 is read a third time and passed. The Senate in conference with the House, and the Chair appoints Mr. STEVENS, Mr. COCHRAN, Mr. SPECTER, Mr. DOMENICI, Mr. BOND, Mr. MCCONNELL, Mr. SHELBY, Mr. GREGG, Mr. MITCHELL, Mr. INOUYE, Mr. HOLLINGS, Mr. BYRD, Mr. LEAHY, Mr. LAUTENBERG, Mr. HARKIN, Mr. DORGAN, and Mr. DURBIN conferes on the part of the Senate.

TAXPAYER REFUND ACT OF 1999

Mr. LOTT. I ask unanimous consent that the Senate begin consideration of the reconciliation bill, which is the Tax Relief Act, and that the first 3 hours of debate be equally divided in the usual form for purposes of opening statements only.

The PRESIDING OFFICER. The clerk will report the bill by title.

The legislative assistant read as follows:

A bill (S. 1429) to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2000.

There being no objection, the Senate proceeded to consider the bill.

Mr. ROTH. Mr. President, I yield myself 30 minutes.

Mr. President, I don’t think there is anyone who hasn’t had the experience of sending a child into a store with a $20 bill to buy a carton of milk, a loaf of bread, or perhaps a dozen eggs, and the child returns with the few essentials. In a demonstration of maturity and responsibility, the child returns the change to his or her parent. There is no question who the change belongs to. After all, the parent earned the money; it is needed to support the family; the family will certainly have important uses for it later. The child understands this. So does the parent. Most often, the change is returned to the household budget to take care of other important needs.

Washington needs to demonstrate the same responsibility when it comes to determining what to do with the change that is left over from running the government. There are surplus revenues in the Treasury. As with a child emerging from the grocery store, there is the change left over, the after Congress has met the necessities of running government.

In trying to balance the budget in 1997, Congress miscalculated the revenues that would be generated by the economy. At the same time, the after change that is left over from running government.

This plan will fix that by giving working married couples the option of filing combined returns, using separate schedules to take advantage of the single filer tax rates and the single filer standard deduction.

This has been suffering under the unfair burden of the marriage tax penalty for too long. A simple example shows us why:

Robert and Diane are two single Americans who have fallen in love and want to marry. They are not considered by the standard deduction. Susan, his fiancee, is an experienced nurse. Each makes roughly $50,000 a year. Now, under current law—when they file their separate returns—they each take a personal exemption and the standard deduction, giving them a taxable income of $43,000. After applying the tax rates for singles, they each owe tax of about $8,745.

If, however, Robert and Diane follow their hearts—get married and start a family—they realize that their total combined income would be $100,000. Should they marry, they would no longer be considered middle-class individuals, but many would regard them as a wealthy family, and under current law their combined income would be reduced by their two personal exemptions and by the standard deduction for married couples. And here is where they would hit their first marriage penalty problem, discovering that their new standard deduction is significantly less than the marriage tax penalty for too long. A simple example shows us why:

Robert and Diane are two single Americans who have fallen in love and want to marry. They are not considered by the standard deduction. Susan, his fiancee, is an experienced nurse. Each makes roughly $50,000 a year. Now, under current law—when they file their separate returns—they each take a personal exemption and the standard deduction, giving them a taxable income of $43,000. After applying the tax rates for singles, they each owe tax of about $8,745.

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But the marriage penalty does not end there. In fact, it gets worse. With their combined income, Robert and Diane—now considered by many to be wealthy—would have a taxable income of $87,400. This is where they would hit their second marriage penalty problem. The lowest tax rate bracket for married couples is less than twice as wide as the lowest tax rate bracket for singles. In other words, more of their income would now be taxable at higher rates. The result would be a total tax bill of $18,967, almost $1,500 more than they would have paid as singles. That steep increase would come at a time when they could least afford it, a time when just starting out as a married couple they would be looking to buy a home, raise a family, and save for education.

The legislation we introduce today—this broad-based tax relief—completely eliminates the marriage penalty for...
Robert and Diane. The Senate Finance Committee bill will allow Robert and Diane to file a joint return. This will reduce their overall tax liability by $1,500. And if they had remained single, they would each get the benefit of the more generous standard deduction and of the more generous rate brackets. Under this new approach, they would pay a total tax of $17,490, which is $500 under the $18,000 that they paid at $17,990 before. This will allow them to receive the credits of $500 per child tax credits, and other benefits that they are intended to be available to middle-income families.

These are changes that are long overdue. Again, they have strong bipartisan support. But our broad-based Taxpayer Refund Act of 1999 does so much more. More than the $2,000 limit. Individuals and families find self-reliance and security in retirement through expanded individual retirement accounts, as well as through enhanced 401(k) plans, 403(b) plans and 457 plans. These are critical programs--along with Social Security and personal savings help individuals prepare for their golden years.

For savings through the workplace, there are 401(k) plans, 403(b) plans and 457 plans, each of which can be sponsored by different types of employers. For individual savings, there is either the traditional IRA or the Roth IRA. And all these different savings vehicles have different limits on how much individuals can save. However, our current system can do more, and the limitations that we placed on retirement savings in times of budgetary restraint should be reexamined in light of the current surplus. For example, the IRA contribution limit has not changed since 1982.

Had it simply been indexed for inflation, it would almost be $5,000 today. What an opportunity that would present middle-class families to prepare for their futures. And that's exactly who benefits from IRAs—middle- and lower-income Americans.

Fifty-two percent of all IRA owners earn less than $50,000. This same group makes about 65 percent of all IRA contributions, and right now they are limited by the $2,000 cap on contributions. IRS statistics also show that the average contribution level in 1993 for people with less than $20,000 in income was $1,500.

Clearly, if the average contribution of modest-income taxpayers is $1,500, this demonstrates that many of these Americans want to make contributions of more than $2,000. This tax relief bill will incrementally increase the amount that people can contribute to IRAs from $2,000 to $5,000.

In the area of employer-provided savings vehicles, the current maximum pre-tax contribution to a 401(k) plan or a 403(b) annuity is $10,000.

In addition, the maximum contribution to a 457(b) plan is $8,000. Finally, the maximum contribution to a SIMPLE plan is $6,000. These limits are indexed for cost-of-living increases.

There has traditionally been a differential in contribution limits among the various types of plans: IRAs having the lowest limits; SIMPLE plans having a greater limit, but not as much as a 401(k) plan; and 401(k) and 403(b) plans having the highest limits, but the greatest number of regulations.

Since the IRA limit will be raised to $5,000, the bill will increase limits for 401(k) and 403(b) plans to $15,000 and for SIMPLE plans to $10,000; thereby continuing the differential. The limit for 457(b) plans for government employees will increase to $10,000.

There is no question, with rising concerns about security and self-reliance in retirement, that these changes are there. They will help individuals prepare for their futures. And these benefits this legislation has for retirement planning are not there.

There are other provisions that will add new retirement vehicles, provide greater ability to transfer retirement savings between plans, promote retirement plans for small businesses, and simplify the retirement plan system for both employers and employees.

One provision will allow employees 50 years old or older to make catch-up contributions to their retirement plans. This will be most important for women, benefiting those who may have started their retirement savings late or who have taken time off to raise their children.

Whatever the reason, once these individuals have reached 50, they will be eligible to make additional contributions to their retirement plans that are equal to 25 percent of their maximum allowable contribution. In other words, their total annual contribution could be 150 percent of the normal contribution.

Beyond restoring equity to the tax code and helping Americans prepare for retirement, the Taxpayer Refund Act of 1999 will also help individuals and families gain access to health care—particularly those who are self-employed, or who are not covered by their employers—this legislation will enhance the tax deductibility of health insurance. It does this by accelerating the full deductibility for health insurance for the self-employed and by providing the same benefit on a phased-in basis to employees who are not covered by their employers.

In detail, the Taxpayer Refund Act of 1999 will provide an above-the-line deduction for health insurance and for long-term care for which the taxpayer pays at least 50 percent of the premium. It will allow long-term care insurance to be offered in cafeteria plans and provide additional dependency deduction to caretakers of elderly family members. To benefit small businesses, this legislation will accelerate the 100 percent deduction for health insurance of self-employed individuals beginning in 2000.

To help make education more affordable for families and students, the Taxpayer Refund Act of 1999 strengthens educational savings opportunities by making college tuition plans tax-free. In other words, families—including grandparents, aunts, and uncles—can invest their after-tax income into a child's educational future. And when the money is used for a child, it will be tax-free on buildup and withdrawal.

This legislation also increases student loan interest deduction income limits for single taxpayers by $10,000.
and adjusts the beginning income limits for married couples filing joint returns to twice that of a single taxpayer. Beyond these important changes, this tax relief plan promotes education by making deductions for employer provided assistance permanent, and by allowing employer assistance to be used for graduate-level courses.

Again, these are necessary changes—changes that will help families meet their priorities.

Another important component of this tax relief package involves its treatment of estate and gift taxes. Here, our objective is to protect families, farmers, and small business men and women who have worked their whole lives to build a future for their posterity. Members of the Senate Finance Committee can recall those sleepless nights. I of Lee Ann Goddard Ferris whose 71-year-old father died in a tragic farming accident in Lost River Valley, Idaho. For more than 60 years, her family had worked the land.

They owned over 2,600 acres—2,600 acres that had been purchased through decades of toil. In Lee Ann’s own words, “My father’s death was the most devastating event that any of us has ever gone through. The second most devastating event was sitting down with our estate attorney after his death. I’ll never forget his words. The estate attorney said, ‘There is no way you can keep this place, absolutely no way.’

Still suffering from her father’s accidental death, Lee Ann couldn’t believe what she was hearing. “How can this be?” she asked. “We own this land. We have no debt! We just lost my father, and now we are going to lose the ranch.” According to Lee Ann, “Our attorney proceeded to pencil out the estate taxes . . . and we all sat in total shock.”

Where is the fairness, Mr. President? Here a family works for more than half a century to build a ranch, only to hear that estate taxes would rob them of their legacy, their heritage, their home.

“This tax situation has put a tremendous strain on my mother,” Lee Ann testified. “Mother worries constantly and has had many sleepless nights. I don’t know if any of you could ever imagine how hard it has been on her. She doesn’t have her husband anymore. She worked hard her whole life and gave up a lot of material things to put her after-tax dollars back into the land to pay it off. Now, unless this tax law is changed or abolished, she will have to leave her home, which she loves, and our family will not have a base from which to carry on.”

With this legislation, Congress will do something to protect these families. The Taxpayer Refund Act of 1999 turns the unified estate tax credit into a true exemption, and it increases the exemption from $1 million to $1.5 million. This legislation also significantly reduces the actual estate tax rate, and it increases the annual exclusion from $10,000 to $20,000 by the year 2006.

Each of the measures I have outlined as part of the Taxpayer Refund Act of 1999 is vitally important to the well-being of all families; each is a key component of this tax relief package. Again, our purpose is to be broad-based—to provide the most meaningful tax relief possible—to do it in a way that families can meet their individual needs—and to present a plan that can receive strong bipartisan support.

With this major tax relief package—$792 billion over 10 years—we meet all of these criteria. And, in the process, we leave over $500 billion to meet pressing concerns here in Washington, such as preserving and strengthening Medicare.

We are able to do all this and to keep the budget balanced for a simple reason: the work, the investment, and the job creation achieved by Americans everywhere have succeeded in creating long-term economic growth.

It is not right that the reward for this success is that today our taxes are the highest percent of our gross national product than at any other time in postwar history. These same Americans—the authors of this success story—are rightful heirs to the wealth they are creating. After paying for the Government programs for which Congress has planned and budgeted, the change must now be returned to the taxpayer.

This legislation not only returns the change by cutting taxes, it increases access to healthcare; it makes education more affordable; it helps taxpayers prepare for self-reliance and retirement; it keeps their homes, farm, and family business safe from death taxes. These are objectives that are shared by everyone. They are objectives that can be embraced by Senators and Congressmen on both sides of the political aisle. They are objectives that can be made realities by being passed into law.

Mr. President, I reserve the remainder of my time.

I yield the floor.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER (Mr. Burns). The Senator from New York.

Mr. MOYNIHAN. First, I congratulate our revered chairman, Senator Roth, for the manner in which he has presented the Taxpayer Refund Act of 1999, for the manner in which he brought our committee together in consultation and deliberation, and who, indeed, produced a measure which was bipartisan. It has many elements which command our support across the aisle—certainly mine. But it is not to that issue that I will speak today, but to the question of the doctrine.

I would like to put this debate in a doctrinal perspective, which is to say, the development in the 1960s which holds that the only way to restrain the growth of Government is to deliberately create a protracted fiscal crisis.

This begins, of course, with a view of Government that is so very different from what traditional conservatism would hold. It is a new and radical idea. I will discuss how it emerged.

But first I will cite an article from this morning’s New York Times op-ed page by Gertrude Himmelfarb, one of our preeminent historians and an avowed conservative. She writes so much of what goes on. She says:

In their eagerness to do away with the nanny state, some conservatives risk belittling, even delegitimizing, the state itself. A delicate balancing act is required: to dismantle or diminish the welfare state while retaining a healthy respect for the state itself. For good government is the precondition of civil society, providing a safe space within which individuals, families, communities, churches, and voluntary associations can effectively function.

But, as I say, the debate on this tax bill is not just a debate about tax policy; for it is far less a debate on taxes than a debate on economic and budget policy and the larger understanding of the role of Government in our society, the role of Government in an advanced market economy.

At the outset of this debate, we should be mindful of some painful mistakes we have made in the not too distant past and which we evidently mean to repeat.

In August of 1993, just 6 years ago, we began to correct a colossal budget mistake. The President signed into law a deficit reduction act without precedent in size that dramatically changed the budget outlook—turning deficits of $290 billion a year, as far as the eye could see—to anticipate my friend David Stockman—into the surpluses we now project of $200 billion and more—surpluses on budget—leaving aside the Social Security revenue stream.

At the time of its passage, it was estimated that the 1993 legislation, the Omnibus Budget Reconciliation Act of 1993, would reduce the deficit by $505 billion over the 5 years, 1994 through 1998.

The Office of Management and Budget, in its fiscal year 2000 edition of “Analytical Perspectives,” estimated that the total deficit reduction has been more than twice this. I quote: “The total deficit reduction has been more than twice this—$1.2 trillion. This suggests the extraordinary quality of that moment when we stood on this floor and waited for the final vote that would allow the Vice President to cast the determining vote, 51-50. The act was passed without one Member of the Republican Party of either House of the Congress.

In 1997, we had a more bipartisan effort in the Balanced Budget Act of 1997.
Again, we see larger revenue benefits than were originally anticipated.

As this current year that ends in September, the OMB projects a budget surplus of $99 billion and the Congressional Budget Office projects a surplus of $120 billion. With the end of the fiscal year just 2 months away, we can expect, with great confidence, a budget surplus for the second consecutive year.

What explains this huge gap, this pleasant surprise between budget expectations and outcomes in recent years? As is often the case in economics, there are interrelated factors which cannot always easily be disentangled but which provide clues.

To begin with, we appear to be in what has been described by our now-Secretary of the Treasury, Lawrence Summers, at his confirmation hearing as a "virtuous cycle." I put a question to him, and he responded:

"Senator, I think it very important that, as you surmise the national debt by the full amount of the Social Security surplus, which would continue this virtuous cycle by reducing interest rates, which makes back, which makes more tax collections, which makes larger surpluses, which makes lower debt, which reduces interest rates, which starts the cycle going again. That is an enormously important process.

"The Honorable Robert Rubin, who was Mr. Summers' distinguished predecessor, often spoke of a term which is not in ordinary usage, but it is a term known by Secretaries of Treasury and by persons who deal in securities, in markets. Mr. Rubin would use the term the "risk premium on interest rates." That is to say, the extra charge if a person is lending money, if they are not certain of the stability of the Federal Government, in this case, and, hence, of the economy at large.

"It was, first of all, this risk premium that we broke in 1993, the fear that down payments on these deficits of $251 billion in the previous year went on and on—the debt had quadrupled over the previous twelve years—that the day would come, again, to use an economist's term, when we would "monetize" the debt through inflation. We would get rid of it by wiping out the value of the dollar. That is that premium, that risk premium on interest rates.

"We began to see the effect, I was here on the Senate floor on February 10, 1995. I remarked: . . . the economy performed better than expected, in part, because Congress adopted a credible deficit reduction plan. In part, also, testimony of the Treasury Secretary Rubin remarked to the Finance Committee this Wednesday [that is, Wednesday, February 8, 1995], the deficit reduction program squeezed the risk premium on interest rates out of real long-term interest rates. If financial markets do not believe the deficit is under control, they will levy a risk premium on capital lending. In 1993 and 1994, we persuaded these financial markets that we were finally serious.

"From a slightly different perspective, the Congressional Budget Office also is reducing the importance of the risk premium on interest rates. For most of the post-World War II period, interest costs have been the second or third largest item in the budget, behind Social Security and national defense.

"In commenting on this, the CBO said, of the effects of that 1993 legislation:

"Remarkably, the biggest single change lies in . . . interest—now projected at 3.3 percent of GDP in 2003 compared with 4.5 in the earlier report, a testimonial to the efforts to rein-in the debt's growth (which had taken place).

"For the record, CBO, in its latest budget update issued earlier this month, now projects interest costs at just 1.7 percent of GDP in the year 2003, a reduction from its September 1993 projection when we had just passed that legislation of that year.

"Outlays for net interest peaked at $251 billion 2 fiscal years ago. They are now projected to decrease to $222 billion, if kept from being squandered, if the debt is repaid. The debt incurred in those years and that interest cost will again go down, almost to disappear.

"Now, I do not mean to suggest that the budget outlook is solely due to changes in budget policies. Factors other than deficit reduction are at work, making for a strong, sustained economic expansion. The economy brings higher receipts and lower outlays for unemployment and other such programs that automatically expand in a recession.

"Last week, in testimony before the House Committee on Banking and Financial Services, Alan Greenspan, our world-renowned Chairman of the Board of Governors at the Federal Reserve, who has provided some insights into what is sustaining this period of remarkable growth. Observing the absence of production bottlenecks, shortages, and price pressures that inevitably occur in an expanding economy, he noted a number of the possible explanations for the good fortunes involved; notably, just-in-time inventories and such like; but they have come about fortuitously at a time when the deficit was under control, deficits were declining, and the prospects were much better all around.

"The question is, Can we not keep this? Can we not sustain the extraordinary economic expansion on which we have embarked?

"Unemployment is now at 4.3 percent. May I say, as someone who in the Kennedy administration was Assistant Secretary of Labor for Policy Planning, we would have said, sir, that a 4.3-percent unemployment rate was unsustainable. It would lead to an outbreak of inflation. Yet here we have it, 4.3 percent, real economic growth at 4 percent. We are in the ninth year of an expansion, and we have no inflation.

This is something that is going to require that the economic textbooks be rewritten. But we did it, and a lot of it comes about from what we did on the Senate floor in August of 1993 and which our great hope on this side of the aisle is that we not undo in this short time that has passed.

Alan Greenspan, in that testimony, was very clear. He said tax cuts are to be reserved for recessions. That will be the most effective means we can have to regenerate the economy and keep the long-term growth path moving high.

"The New York Times editorialized this past Sunday, on the Oracle of the Fed:

"Mr. Greenspan is treated reverently on Capitol Hill, but it appears that the Republicans do not want to heed his advice to run a surplus and pay down the national debt, while saving a tax cut for when it is needed.

"How come this sudden resurgence just now, when it would seem so clear that a quite opposite policy has had such very desirable effects? Well, sir, I think the Republicans, as I said earlier, to matters of political doctrine.

"We don't talk much of doctrine on the Senate floor, but there are times for it. In 1995, for example, we debated a constitutional amendment requiring a balanced budget. I presented a series of papers in which I tried to describe the idea of "starving the beast," as the term was; that is to say, depriving the Federal Government of the revenues needed, putting it simply, to govern.

"The argument is quite simple. It goes back to the 1970s when a number of theorists on the conservative wing of the Republican Party determined that it was not going to be possible for the Federal Government ever to be controlled by its size and the revenues to sustain, or even to increase, that size. And so it came about that a policy doctrine developed which argued that deficits, if sizable enough, had acquired a new utility—deficits that had presumably been the horror of conservative financial thought now became something attractive because they could be used to reduce the size of Government itself.

"E.J. Dionne, Jr., in an op-ed article in yesterday's Washington Post, clearly recognizes this idea is still afoot. He writes:

"The long-term goal, about which Republican leaders are candid, is to put Government in a fiscal straitjacket for years to come.

"In fairness, I think this is more to be encountered on the House side than in this body, but it still would be the cumulative effect, in fact, of the tax cuts that have been proposed in both bodies.

"I can remember the onset of this. In the late 1970s, it was clear. One could write about it, and one did. Then came the administration of President Reagan in which, in effect, the policies were carried out—or they began to be
carried out. In a television address, 16 days before his inauguration, President Reagan said:

There will always be those who tell us that taxes could not be cut until spending was reduced. Well, you know, we can lecture our children about extravagance until we run out of voice or breath, or we can cut their extravagance by simply reducing their allowance.

There you have President Reagan in his most agreeable and heart-warming quality. He thought this could be done because he thought there would, in fact, be reductions in Government. There were none. Moreover, very shortly, his economic advisers realized the economic analysis they had used to project revenue increases from tax reductions weren’t going to work, and they faced a prospect of deficits of, as David Stockman once said, “$200 billion as far as the eye can see.”

Haynes Johnson, in his superb book, “Sleepwalking Through History: America Through the Reagan Years,” writes:

The Reagan team [not the President] saw the implicit failure of supply side theory as an opportunity, not a problem. Now, this we have to absorb. They saw the failure of supply side theory—which said that the more you cut taxes, the higher the revenues will be—as an opportunity, not a problem. The secret solution was to let the Federal Secret solution was to let the Federal Reserve finance the deficit. Congress no alternative but to cut domestic programs, such as education, health care, veterans, and the like.

Fifth, put aside what we need for a rainy day. Congress should take steps to reserve the Social Security and Medicare surpluses exclusively for future costs of those programs. Congress should not shortchange the Nation’s core programs, such as education, health care, veterans, and the like.

Sixth, don’t go on a spending spree. Resist the temptation to create costly new government programs, wait for the money to be in the bank. We are proposing to spend a surplus, sir, that does not exist.

Third, pay our debts. The United States needed a balanced budget window—in this case beyond the year 2009, caus- ing revenue losses of hundreds of billions of dollars. Accordingly, sir, at the appropriate time, I intend to raise the “Byrd Rule” point of order against section 1502 of the bill.

I thank the Chair for his cordial consideration of my remarks.

Mr. ROTH. I am happy to yield to the distinguished chairman of the Budget Committee up to 20 minutes.

Mr. ROTH. I am happy to yield to the distinguished chairman of the Budget Committee up to 20 minutes.

Mr. DOMENICI. Mr. President, before my friend, Senator ROTH, leaves the floor, let me say to the Senate that Senator ROTH has come through again for the Senate and for the people of this country.

His tax bill is clearly one that recognizes fairness, that puts the money where it ought to be put, gives back to the American people some of their money, and it does it in a way that clearly is prudent.

It will be very difficult when we are finally finished explaining this bill for the President of the United States to veto this bill.

Finally, take prosperity in measured doses. Congress should reduce taxes without pulling the rug out from under projected surpluses.

I can think of no wiser counsel than the President of the United States to say: What we need to jettison is the political rhetoric. What we need to impose is truth in spending.
The budget resolution recognized economic conditions now, and the projected economics including the planning for an inevitable recession that might occur in the future. It outlined a decade-long, phased-in tax cut. Only a very small tax cut was envisioned in the first 2 years of this budget time-frame because the economy is already operating above optimum capacity. We want to keep inflation subdued and interest rates low. The budget expected Congress to pass a tax bill that was very small in the first 2 years and grew as the decade wound its way through into the next millennium.

I congratulate again the chairman of the Finance Committee and the members of that committee for producing the kind of tax cut for our budget for the 21st century. I think it is appropriate now with the surplus to give it to the people. Chairman Renn has produced a tax cut that starts small and ends up larger, reflecting economic conditions. He has produced a tax cut that targets help to those who really need it—those with children in school, those with elderly and ill parents who need long-term care, those who are trying to save for their own retirement instead of Government reliance, and many more items of that nature and of that significance.

Yes. The same old class warfare arguments like tired, defeated soldiers of past wars have begun to stagger across the Senate debate again—and they will be here before us again—that we are only helping the rich. We are told we must spend the surplus. That is essentially the argument against our tax refunds—we must spend the surplus. We must grow Government. It is the same old debate.

One party wants to give money to programs. And we want to give money to the people. That is exactly the way it has been, and that is exactly the way it is on this floor.

I believe there is a degree of arrogance in those who argue against tax cuts. They say to working families: I know what to do with your money better than you do. Give it to me so I can spend it.

Can you imagine the arrogance of that position? They have grand schemes now, and fair. Chairman Renn has produced a tax cut that starts small and ends up larger, reflecting economic conditions. He has produced a tax cut that targets help to those who really need it—those with children in school, those with elderly and ill parents who need long-term care, those who are trying to save for their own retirement instead of Government reliance, and many more items of that nature and of that significance.

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The budget resolution recognized economic conditions now, and the projected economics including the planning for an inevitable recession that might occur in the future. It outlined a decade-long, phased-in tax cut. Only a very small tax cut was envisioned in the first 2 years of this budget time-frame because the economy is already operating above optimum capacity. We want to keep inflation subdued and interest rates low. The budget expected Congress to pass a tax bill that was very small in the first 2 years and grew as the decade wound its way through into the next millennium.

I congratulate again the chairman of the Finance Committee and the members of that committee for producing the kind of tax cut for our budget for the 21st century. I think it is appropriate now with the surplus to give it to the people. Chairman Renn has produced a tax cut that starts small and ends up larger, reflecting economic conditions. He has produced a tax cut that targets help to those who really need it—those with children in school, those with elderly and ill parents who need long-term care, those who are trying to save for their own retirement instead of Government reliance, and many more items of that nature and of that significance.

Yes. The same old class warfare arguments like tired, defeated soldiers of past wars have begun to stagger across the Senate debate again—and they will be here before us again—that we are only helping the rich. We are told we must spend the surplus. That is essentially the argument against our tax refunds—we must spend the surplus. We must grow Government. It is the same old debate.

One party wants to give money to programs. And we want to give money to the people. That is exactly the way it has been, and that is exactly the way it is on this floor.

I believe there is a degree of arrogance in those who argue against tax cuts. They say to working families: I know what to do with your money better than you do. Give it to me so I can spend it.

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such a preposterous economic observation.

In House testimony last week, Chairman Greenspan cautioned against expecting any rapid stimulus as a result of this tax relief package. I can assure the American people that Congress' tax plan will not overheat the economy. As a matter of fact, Chairman Greenspan cautioned against expecting a rapid stimulus as a result of this package, given the long phase-in of the tax cuts. I can anticipate the response of my Democratic colleagues who are likely to say: If your plan is so ideally suited for the economy, why did Alan Greenspan argue we should let surpluses run for a while before cutting taxes?

Listen carefully. I have two responses. First, I believe the Congress is doing exactly what the Chairman advised. Our budget plan delivers only $28 billion in tax cuts over the next 2 years. Most of that relief is scheduled to arrive only after surpluses have mounted on a consistent basis. Second and more important, Chairman Greenspan is advising what policies would be best in an ideal world. However, he is fully aware that ideal may not be politically feasible.

Let me read a quote he made last week which I think was insightful:

There is nothing that I can see that would be lost by allowing the process to delay unless, as I have indicated many times, it appears to me the surplus is going to become a lightning rod for major outlays. That's the worst of all possible worlds from a fiscal policy point of view. That, under all conditions, should be avoided. I have great sympathy for those who wish to cut taxes now, to preempt the process. And indeed if it turns out they are right, I would say moving on the tax front makes a good deal of sense to me.

The worst of all fiscal policies will materialize if the President gets his way. His proposal to increase spending by more than $1 trillion over the next 10 years. Most of this new spending would go to create 80 new, often repetitious, often local-government-prerogative-infringing Government programs, with services already being handled at the local or private sector. The President's spending proposals are the worst of all proposals from the standpoint of what is good for America during the next 2 years. That time horizon must concern the Federal Reserve.

The President proposes to use $53 billion of the surplus for new spending. It is nearly twice as large as our tax cut in the next 2 years. Thus, the President's plan is far more stimulative than the Congress' measured tax cut. I ask my colleagues on the other side of the aisle if they are worried about interest rates rising because the economy is overheating, why support the President's Government-growing agenda over ours? The money is there. We have a surplus.

The last question is the $792 billion question: Who is going to spend it?

When faced with the President, who wants to spend the surplus, Congress has not faced the Democratic alternative. However, we have to be careful. While we are still saving the majority of the surplus for shoring up our long-term fiscal health, we must be careful in that regard.

To sum up, I leave two messages today. Our budget is prudent, and it is synchronized for where we are in the business cycle. Be skeptical of the administration's criticism of our tax plan. They want to grow Government well in excess of Congress' tax cut. Most of the spending has nothing to do with Social Security or Medicare. This is what should most concern the American people when faced with the surplus, excluding Social Security funds, and I have already indicated what will happen to these funds. Officials want to give it back to the people who earned it and worked so hard.

The big question then is, Who is going to spend the surplus?

With tax cuts, the answer is you; without tax cuts, the answer is big government. I yield the floor.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, the minority yields 10 minutes to the Senator from Minnesota.

The PRESIDING OFFICER (Mr. BUNNING). The Senator from Minnesota.

Mr. WELLSTONE. Mr. President, 3 weeks ago, President Clinton visited some of the poorest communities in our country and he spoke eloquently of our obligations to America's most disadvantaged children. While our economy booming and record surpluses, we have a chance to do better for all of our children. This budget fails America's children. I want to speak as loudly and boldly as I can about this reconciliation bill, first about the Republican proposal, and then about what we are proposing as Democrats.

If you look at the non-Social Security surplus, about three-quarters of it really assumes cuts in future domestic spending. The Republican proposal on the floor does not restore any of these cuts. In fact, they add another cut of roughly $200 billion. The Republican plan would require a 38-percent cut in domestic spending in the year 2009, and the Republican tax bills are loaded with corporate welfare for multinational corporations, banks, insurance companies, Wall Street securities firms, and tax giveaways for the wealthy. That is a disappointment. It is a very harsh budget.

But even the Democratic plan fails to fully fund or restore these cuts. Senate Democrats have reserved $290 billion of the surplus to soften the blow on our discretionary priorities like education, but we still allow cuts of several hundred billion dollars. In our plan, with our $28 billion of tax cuts, we do not make up the assumed cuts in our domestic priorities either.

Since defense spending will go up, and there will be spending for transportation which also will go up significantly over the next 2 years, other domestic priorities will be squeezed even more.

How can we, as Democrats, say we are addressing the needs of America's children, for fighting poverty, for fully funding Head Start, for both access to quality education, for helping working families afford the cost of health care and child care, for cleaning up the environment, for community policing, and for veterans' health care, when we are assuming domestic spending cuts of several hundred billion dollars? Something has to give. To use the old Yiddish proverb, you can't dance at two weddings at the same time.

In 1998, the House Budget Committee there are 14 million children who are poor in our country—14 million. There are 6.5 million children who live in households with income of one-half the poverty level. Close to one out of every four children in our country under the age of 3 are growing up poor. Close to 50 percent of children of color under the age of 3 are growing up poor. And now we are being told by both parties—the Republican Party much more so than the Democratic Party—that we cannot afford to renew our national vow of equal opportunity for every child? Where in these proposals do we, as a Senate representing the United States of America, live up to our national vow of equal opportunity for every child?

Right now, in Early Head Start, for children age 3 or younger, 1 percent of the children who could be helped and given a head start eligible to get this assistance. We are funding this program at a 1 percent level.

For the Republicans, you have $800 billion of tax cuts. You make no investment in any of these areas. Your budget and your proposal will lead to Draconian, really brutal cuts in these programs. Not only will we not be doing anything to make sure poor children have a chance in America, to make sure that there is equal opportunity for every child, but the proposal of the majority party will be making cuts in these programs.

And to the Democratic Party, our party, we have a better proposal. It is less harsh. But there has to be some connection between the convictions we profess and the budgets we propose, and a willingness to fight for them. At some point, the chasm between our words and our actions becomes too wide. If we do not fight hard enough for the things we stand for, at some point, we have to recognize we really do not stand for them. We really do not stand for them.
I cannot believe with record economic performance, that the Republican Party continues to the floor of the Senate with a proposal that calls for $800 billion of tax cuts, most of them flowing to our wealthiest citizens, but with a proposed 38-percent cut in Head Start, child care, community policing, and cleanup of the environment.

And to my party, I cannot believe the Democrats come out with a proposal where we, too, are essentially proposing cuts in some of these key domestic priorities. Why did we become involved in politics? What do we believe in? What are our values? Can we not at least make some investment to make sure every child, no matter the color of skin or income of family, urban or rural, or boy or girl, will have a chance to reach her full potential and his full potential?

What ever happened to the Democratic Party’s strong commitment to equal opportunity for every citizen? I do not see it in these proposals. We ought not to be talking about tax cuts that benefit the most affluent citizens, when we cannot even live up to our national vow of equal opportunity for every child. I hope we will do better as we move forward in this debate. I yield the floor.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. The Senator from West Virginia is yielded 45 minutes.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. BYRD. Mr. President, recently both the Office of Management and Budget and the Congressional Budget Office released their so-called “Mid-Session Reviews” on the state of the Federal Budget. These reports put forth a number of key government forecasts project even better performance for the nation’s economy in the coming ten years than they had predicted just a few months ago. In fact, the Congressional Budget Office projects unified budget surpluses totaling just under $3 trillion over the next ten years. Of the $3 trillion, approximately $2 trillion results from surpluses being paid into the Social Security trust fund. The remaining $1 trillion—or $996 billion to be exact—is what is called the “on-budget” surplus. That is the non-Social Security trust fund surplus. The question before Congress is what do we do with this good news—our government is about to be awash in money, if these projections come true.

Before we get too far along with our grandiose plans for massive tax cuts, a dose of reality is in order. Sometimes a dose of castor oil is in order. We may not like it so much, but it has to be taken. So a dose of reality is in order. These future budget surpluses are, of course, based on “pie in the sky” projections. But I don’t think “pie in the sky” is quite right. The projections are so far out into the Stratosphere—more than a decade away—that we would need the Hubble Telescope to track them down.

Mr. President, the fact is that they have not yet occurred, the money is not yet in hand—and may well never occur—for a number of reasons. First, one needs to keep in mind that budget projections for even 1 year are likely to be missed by a substantial margin over the normal 5-year period of congressional budgets. Estimates of deficits and surpluses have been off by billions of dollars. This year, for the first time, instead of 5-year budget projections, we have 10-year budget projections upon which all of the surpluses are being forecast, and upon which tax cut proposals by Democrats, Republicans and the administration are being based.

Does anyone really believe that these forecasts can ever be any more accurate than the usual 5-year numbers? In looking at these incredible amounts of surpluses and tax cuts, I would think that one needs more of an astrologer than an economist to read the tea leaves and to come up with these figures.

Mr. President, consider these facts: CBO’s estimate of revenues over the period 1980 through 1998 was off by an absolute average of $36 billion per year. The estimates were off by an average of $38 billion per year during the period 1980 through 1998. That is a pretty fair piece of change! This isn’t just chicken feed. Some years, the estimates were closer to the projection than other years, but, as I say, the average difference one way or the other, was $38 billion per year. Similarly, for outlays, the projections over the past two decades were off the mark by an absolute average of $36 billion per year. The revenues section of the Congressional Budget Office over the period 1980 through 1998 were off by an absolute average of $54 billion per year. Extend that figure over 10 years, and that is what we are doing now in this bill, and we can see that $540 billion of the $1 trillion projected surplus could melt away faster than last year’s snowball.

So what about these latest “rosy” forecasts of budgetary surplus for the next 10 years? It is obvious that we need to be very careful when relying on such projections to make decisions about whether and if we can afford a tax cut.

CBO officials would be the first to tell you that they have widely missed the mark in their budgetary forecasts, as would the folks at OMB. No one on the face of God’s green Earth can predict accurately for even 1 year, much less for 5 or 10 years, what revenues will come into the Treasury, or what expenditures will go out of the Treasury. That is because no one knows what the unemployment rate will be next year, or the inflation rate, interest rates, whether there will be a recession or the duration or virility of such a recession. In virtually every CBO revenue estimate, there may be an underlying assumption that tax cuts do not revert back into the bad old days of the 1980s and simply run up massive annual deficits? Those are the land mines we will have. All of them are unacceptable. We must not mislead the American people by promising them massive tax cuts which may well be based on phantom surpluses which never materialize.

Even if the surpluses do happen, this Republican tax plan could emasculate national security, public investments, and the operations of government. As this chart shows, these areas of the Federal budget could suffer real cuts each year, beginning in fiscal year 2000, drastically below what would be necessary to continue them at the levels...
provided in fiscal year 1999. In fact, over the whole 10-year period—over the 10-year period—the dollar reductions would total $775 billion. In other words, the bulk of the $792 billion Republican tax cut is likely, in reality, to be financed by cuts in critical domestic priorities—critical domestic priorities—such as education, health care, infrastructure, child care, the environment, agriculture—that will affect you, the people of this country—old, young, white, black, male, female. They will affect you—you—because they will be financed by cuts in critical domestic priorities.

Mr. President, to give the American people some sense of what I am talking about, let me focus on just three critical areas of the Federal budget that would be the most affected.

First, however, let me point out that the cuts in these programs are based on the assumption that the Republicans will fund defense at the levels requested by President Clinton over the next 10 years. If that is so, and the tax cuts are also enacted, according to the Office of Management and Budget, an across-the-board cut of 38 percent—that is more than a third—in outlays will be required, the other public investments and operations of the Federal Government.

For example, let us take a look at the VA medical care program. That gets close to home. We are already getting lots of mail, lots of telephone calls, e-mails, and so on, from veterans and their families. So let’s take a look at the VA medical care program.

What would happen to veterans’ health care under the Republican tax cut plan if these cuts are administered in an across-the-board manner? The cuts will rise from $931 million in fiscal year 2000 to over $1.15 billion in fiscal year 2009. In total, the cumulative cuts to the VA medical program are said by some to be a lot from veterans because they see these cuts coming—the cumulative cuts to the VA medical program for this 10-year period will be more than $33.5 billion below what it would take to continue current VA medical care services. I might add, as I say, some veterans are already feeling it, and this figure is woefully inadequate.

What do those cuts mean in human terms? As we can see from this chart, OMB projects that 3,252,735 veterans—not talking about dollars now; we are talking about real people, veterans in particular—OMB projects that 3,252,735 veterans will seek treatment at VA medical centers fiscal year 2000. That is just over the horizon, fiscal year 2000. Under the Republican tax plan, though, 102,278 of these veterans are going to have to be turned away: Sorry, that program has been reduced, or that has been cut out; we do not have room for you.

As we can see, over the 10-year period the number of veterans to be turned away—sorry, sorry, we have to turn you away—will increase each year until fiscal year 2009. When, according to the figures, 1,430,985 veterans will be denied critical health care benefits. Is that how a grateful Nation treats its soldiers, sailors, and airmen?

Now, let’s look at national crime-fighting programs.

Mr. President, the budget for the Federal Bureau of Investigation was approximately $3 billion in FY 1999. Paying for the Republican tax cuts would require reductions in the FBI budget below what would be needed to continue current services over each of the next 10 years. Those cuts get progressively worse until in FY 2009, the Republican tax cut would require a cut of almost $1.9 billion below the $4.3 billion that would be necessary just to maintain the same level of service being provided by the FBI in 1999. Over this 10-year period, total cuts to the FBI’s budget would equal almost $9 billion.

That is $9 for every minute since Jesus Christ was born. Nineteen billion dollars, that is a lot of money!

Again, Mr. President, what does this translate to in services to the American people? Forget the dollars for a moment. As this chart shows, the FBI will only be able to employ 10,687 agents in each of the next 10 years in order to just continue its current law enforcement efforts. But, that will not be possible if we enact the Republican tax cuts. Instead, we can look forward to progressively—progressively—deeper reductions in the number of FBI agents in each of the next 10 years. In FY 2009, rather than being able to employ 10,687 agents, the FBI will only be able to employ, 5,878.

Is that what the American people want? And what does that do to our efforts to prevent another Oklahoma City bombing? What does it do to our efforts to prevent another Oklahoma City bombing? What do cuts of that magnitude do to our programs to fight organized crime, or the insidious proliferation of child pornography on the Internet?

Sadly, the picture is no better for the effort to patrol our Nation’s borders. Progressively deeper budget cuts will have to be made over the next 10 years totaling more than $8.5 billion because of the massive Republican tax cuts. As a result, as we can see displayed in this next chart, the number of INS agents—Immigration and Naturalization Service agents—protecting the Nation’s borders will decline from the needed level of 8,947 to only 4,921 in the year 2009. How does that help address the problem of illegal immigration? And that is a big, big, big problem. How do those kind of cuts help our drug interdiction efforts? What kind of message does that send to the Colombian drug lords?

Mr. President, these are just three—just three—examples of the short-sheeting that will take place throughout the entire Federal Government because of the Republican tax plan. As if this weren’t bad enough, the overall kick in the Republican tax cut plan is that not only does it cut taxes by almost a trillion dollars over the next 10 years but—get this—this tax cut package would explode in the following 10 years, costing roughly an annual kick-in of $1.8 trillion, according to preliminary projections by the Treasury Department. Also, the Treasury Department points out that interest on the national debt in the second 10 years caused by the $1.8 trillion in lost revenues would be roughly $1.1 trillion higher.

Let me say that again. The Treasury Department points out that interest on the national debt in the second 10 years caused by the $1.8 trillion in lost revenues would be roughly $1.1 trillion higher.

That makes a total cost of the Republican tax cut plan in the years 2010 through 2019 of $2.9 trillion. The increased interest due on the national debt caused by the $1.1 trillion caused by the Republican tax cut plan is greater than the total amount of their tax cut for the first ten years, which was $792 billion. These massive drains on the U.S. Treasury would take place at the very time when the baby-boom generation is retiring in huge numbers and placing a great strain on the Social Security and Medicare trust funds. This tax cut plan, in my view, represents the absolute omega of irresponsibility. It passes on to our children and grandchildren in the years 2010 through 2019 a $2.9 trillion drain on the U.S. Treasury. The Republican tax cut would have us spend $2.9 trillion over the decade 2010 through 2019 right now, regardless of whether that drain makes it impossible for Congress to pay our country’s debt. And without the Social Security and Medicare obligations for its senior citizens.

Recently the Washington Post carried a political cartoon by Herblock on one of its pages, which I have here on this chart. And one can see, at the top of the cartoon appeared those words: ‘Back for an indefinite run?’

Let me say that again: ‘Back for an indefinite run?’ ‘Rosy Scenario’—and her long line of stunning surplus sugarplums.”

The cartoon depicts Rosy—there she is, all ready for the show—‘In a costume with dancing girls and throwing dollar bills in the air. There is a song, ‘Pennies from Heaven.’ But Mr. President, these are dollar bills! Holy Smoke! Rosy Scenario is throwing them all about us. In front of the theater in which she is appearing, what do we see? We see two eager customers about to buy their tickets for the show. One appears to be an elephant; one appears to be a donkey. They are both depicted in business attire. The ticket salesman seems to have a cynical smirk on his
The S&L bailout cost $200 billion. And, national debt increased by $500 billion. 10-year period. Interest on the climbing ment and defense spending each grew of increased Federal debt for fiscal those policies, rather than ridding Reagan's chief financial adviser, OMB Baker, called it a "riverboat gam- time as to whether those policies would actually work. I was one of those skeptics. The Senate majority leader, Howard stock market. The Senate majority leader, Howard Baker, called it a "riverboat gam- 309. After years of struggling to overcome the country of Federal deficits, the country saw for the first time in history triple-digit billion dollar deficits in each of Mr. Reagan's eight years in office. In fact, the national debt stood at $392 billion on January 20, 1981, the date President Reagan took office. Unfortunately, on the day that President Reagan left office on January 20, 1989, the national debt stood at $2,683,000,000. This chart depicts the major causes of increased Federal debt for fiscal years 1981 through 1991. It shows that the 1981 tax cut over that 10-year period, cost the Treasury $2.1 trillion. Those tax cuts were offset by a series of tax increases that became necessary during the Reagan years in an attempt to decrease Federal deficits. Those tax increases equaled $300 billion. Entitlement and defense spending each grew by $500 billion above inflation over this 10-year period. Interest on the climbing national debt increased by $500 billion. The S&L bailout cost $200 billion. And, domestic spending was cut over that 10-year period by $400 billion below in-...
which is one of the things I hear most about when I go home. Can we afford to do it? The distinguished Senator from West Virginia, Ranking Democrat on the Appropriations Committee, has just spoken about that as well.

I believe this is a prudent amount. I do not believe this is going to undo the great progress we have made beginning way back in 1990 and the first balanced budget proposal for which I voted. We had another one in 1993, and another in 1997. Taken together, they have all contributed to the elimination of our deficit and the very strong economic growth which we have to be careful not to undo.

The Congressional Budget Office, though they obviously will from time to time make mistakes, forecasts that there will be $3 trillion more coming in over the next 10 years than we have in obligated expenditures. While I favor significant debt reduction, I think one would have to imagine some pretty unusual economic circumstances to imagine a downturn in the economy that would allow us to go back to $3 trillion forecast. It is asked: To what level do we have to get? Does it have to be $5 trillion before we can give the American people back some of their money?

This, it seems to me, is a reasonable proposal, a moderate proposal. One could make a case for an even larger cut in taxes, and the best way of illustrating that is if we were to imagine that the budget was balanced and CBO said that over the next 10 years we anticipate exactly the amount of revenue coming in that is needed to meet the expenditures that are forecast, and I walked down here to the floor and offered a piece of legislation to increase taxes $2 trillion, I doubt I would get a single vote.

Well, I would actually have to offer a proposal to increase taxes $2.1 trillion to find myself in a situation where we are today. We are talking about reducing the projected surplus from $2.9 trillion down to $2.1 trillion. This is an increase in the after-tax income for the American household. I calculate that, in Nebraska, it means about $4 billion worth of increased income for households that is not taken into Washington, DC. That is a significant amount of money for

Not only is there broad-based tax relief in here with a reduction in the rate from 15 to 14 percent, but there are a number of other things that will happen that I consider to be good. We have about 130,000 Nebraskans without health insurance. One of the reasons is that our tax policy doesn’t favor an individual who makes a purchase of health insurance. This proposal will enable many of those 130,000 people to be able to purchase health insurance because there is an above-the-line deduction in this proposal for individuals. There are 400,000 households in Nebraska that I estimate will benefit from the savings section in the proposal of the distinguished chairman of our committee—people who are trying to figure out how do I save for my own retirement. I know Social Security doesn’t provide me with everything I need. I know I need some kind of savings or pension. This has significant reform in our pension laws, making it extremely likely that people right now who don’t have pensions for small businesses will have pensions in companies that employ relatively small numbers of people.

So in addition to providing $4 billion worth of additional after-tax income to the people of the State of Nebraska, this proposal will also help them save for their retirement. It will result in an increasing number of Nebraskans who have health insurance, and, in addition, it is going to make it easier for working-class families to send their children to college.

There is a deduction here for interest on student loans. One of the most alarming things I see today in the State is the amount of debt students are acquiring in order to be able to get a college degree. It will increase the amount of charitable giving in Nebraska. We have a problem with that today. The charitable giving is flat, and we have questions being asked about how we can increase that amount. This proposal will increase the charitable giving.

There are 180,000 Nebraskans who will applaud this piece of legislation because it eliminates the current tax penalty on them as a consequence of their being married.

This is a good proposal. There is a $3 trillion surplus being forecast over the next 10 years. This is a moderate proposal. One could have argued for a larger one.

Not only did the chairman of our committee put together a piece of legislation that is moderate in size, but he attempts to, in addition, have broad-based tax relief to solve real problems we have in our country—that is, individuals who are struggling to plan for their own retirement, individuals who are trying to purchase health insurance, organizations throughout our State that are trying to solicit charitable contributions, and families who are angry because they pay a penalty once they get married.

This proposal will not result in our undoing the great progress we have made since the first piece of legislation dealing with the deficit was enacted in 1990, followed with the 1993 effort, and followed by this proposal.

This is moderate tax relief. It will be significant for the people of the State of Nebraska. It will not bring back inflation that Mr. Greenspan talked about because of the way the chairman has drawn the bill. I have been asked by people: How can you possibly do this? It is not even a close call for me. It is not even close.

I feel extremely enthusiastic about this proposal, about both the dollar size and the makeup of the things that are going to happen. I think one of the things that would have made this thing very attractive to Senators on this side of the aisle, and I believe many on the Republican side as well, is if we could have found a way to include an increase in the standard deduction—that is in Senator Moynihan’s proposal that he will offer later—that would have taken 3 million people in America completely off the tax rolls. It would take 9 million people that are currently itemizing deductions and put them in a standard deduction category.

The proposal would have made it even better from the standpoint of working families.

Now the tax cut that I have remaining, there are three remaining problems this proposal doesn’t even pretend to address and should attempt to address. I have heard people talk about a lot. No. 1, discretionary spending. This tax cut is not the threat to discretionary spending.

We have tremendous discretionary spending problems right now.

Everybody knows VA-HUD is in trouble.

We have significant cuts to veterans that are not what anybody wants.

We have problems in Labor-HHS as well.

We know we have problems. There is no tax cut that preceded them. What is causing that is the growing cost of mandatory programs that in the budget we passed in 1997 says that between now and 2009, 56 percent of our budget currently going to mandatory programs will grow to 70 percent. The discretionary programs will go from 31 percent to 27 percent, if we are able to reduce the national debt and reduce the net interest figure as well.

That is what is putting pressure on discretionary spending.

I know it is difficult to face it because it means we have to make changes in those mandatory programs to reduce their cost, or you have to come to the floor and propose increased taxes to pay for all of the things we want to pay for.

There is a problem with growing mandatory and declining discretionary program expenditures.

Second, there is a problem with Medicare—not just for the need to modernize the program, not just the need to provide health insurance for prescription benefits, but we should not, with the growing economy—4 percent real growth and 3 percent real growth in quarter after quarter—we should not with growth in the economy see the number of Americans who are uninsured go up.

There are an estimated 41 million Americans without health insurance,
and 24 million of them are in the workforce. We tax their wages to pay for health insurance for everybody else, but they don’t have it.

That, in my judgment, is the problem with Medicare. It is not just Medicare. It is all health care that needs to be fixed.

Lastly, Social Security. Senator Thompson, I, and others intend to offer an amendment at the appropriate time. We know Social Security needs to be fixed.

This is not like youth violence or Medicare or lots of issues that are extremely complicated—global climate change and others. This is a very straightforward, simple, actuarial problem.

I am astonished that we are able to survive around here without answering the question of what needs to be done? The 150 million Americans under the age of 45 should not like a delay because every year of delay means you have a larger cut in your benefits as a consequence. That is the result of not doing it.

Our proposal will cut payroll taxes by $1 trillion and increase the net worth. It fixes Social Security and increases the net wealth and worth of American households by $1.5 trillion over 10 years.

That is the third remaining problem that needs to be addressed. We do not address it by locking the money in a lockbox. That doesn’t do anything to extend the solvency of Social Security, and I hope during the progress of this debate we are able to make that clear to the American people.

I yield the floor.

Mr. ROTH. Mr. President, I yield 14 minutes to the Senator from Tennessee.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. THOMPSON. Mr. President, I thank the Chair. I thank the chairman.

First of all, I want to align myself with the comments of our previous speaker, Senator Kerrey. I think he is right on all points.

I think the question really boils down to a very simple one: that is, whether or not with a $3 trillion surplus it is reckless and dangerous to give 25 percent back to the people who created it. Or stated another way, now that we apparently are going to be in a different part of the sky, and a different part of the sky taken to the airwaves wringing their hands, and a different part of the sky—whether or not with a $3 trillion surplus it is reckless and dangerous to give 25 percent back to the people who created it.

The President actually over the next 10 years proposes a tax increase and $1 trillion more in spending as opposed to the tax cut we have proposed.

So it is really a very basic philosophical difference that we have here.

First of all, I look at the tax burden we have today. We have been told how things are going to get better. The reason we have this surplus, of course, is because of unprecedented revenues that are flowing into the Federal Treasury.

The primary reason for that is the unprecedented portion of Federal income those revenues that are flowing into the Treasury.

The income tax portion of the gross domestic product has now reached 10 percent, which is an all-time high in the history of the United States of America. The average two-earner family is paying 38 percent in taxes.

Somebody reminded me the other day that even the serfs in feudal times only had to pay a third to their masters, and these families are paying 38 percent.

Tax day now is May 11. We are working for the Government until May 11 of every year. Tax revenue has doubled just since 1987. We have this record level of tax revenues as a share of our gross domestic product.

What do we do about that? This bill, first of all, is addressed to the lower and middle-income taxpayer. It is addressed to the small businessman who is out there working every day to make a living.

It gives some relief to those who want to save. It gives some relief to folks who want to invest. It gives some relief to folks who want to marry. And it gives some relief to folks who maybe after paying taxes all of their lives, when they die, don’t want to have the family farm or their business sold just to pay the tax man again.

It gives some relief to all of those folks. It will not hurt the economy, as previous speakers have pointed out. As Chairman Greenspan has pointed out, it is phased in. It is only about $38 billion for tax relief for the first 2 years.

The President has more spending in his proposal—over $50 billion during the same period of time. If you worried about the soul of the economy, talk to the President. Don’t talk to us about this bill. It reduces the Federal debt more than the President’s proposal does.

But in response to this kind of tax burden, and in response to this reasonable—as Senator Kerrey said, “no brainer,” really not even a close call—the President responded to the situation like that where we have this unprecedented situation, we have seen an unprecedented amount of inside-the-beltway hyperventilation. The President, the Vice President, and members of the White House have taken to the airwaves wringing their hands, and a different part of the sky has fallen every day. We are going to pollute the streams, our kids are not going to be educated, our military is going to go in disrepair, and the Republicans are not looking out for the military anymore. And, that old reliable standby, “We are going to harm Social Security and Medicare if we have tax cuts.” It is called “dangerous”—a “dangerous tax cut.”

I think that assumes a level of ignorance among the American people that does not exist. I don’t have time to talk about all of the accusations and charges and points that have been made to do anything but have to respond this year. We didn’t have the luxury, or two in the limited amount of time we have. Perhaps we can address the others later.

With regard to Social Security and Medicare, of course we all know it is a problem. Senator Kerrey pointed out the nature of the problem a minute ago again. It is not as if we don’t understand the problem. It is not as if we will not have to face up to it. The question is when.

We have a demographic time bomb on our hands that will affect Social Security and Medicare. We are an aging society. Some people say that is not a bad problem, that we are living longer. That is right. However, we have to make some changes precisely because of that if we are not going to ruin our kids and grandkids.

In the year 2030, we will have twice as many people over the age of 65 as we have today. Currently, we have almost four workers for every retiree; in 2030 we will have two workers for every retiree. After the baby boomer generation we will have a smaller population, and a smaller and smaller workforce, with a doubling of the people drawing out these funds. It will not work.

We have made some progress, at least in advancing the debate on these issues on a bipartisan basis. It is the first time I have seen issues of this magnitude and of this importance seriously addressed on a bipartisan basis. It is very encouraging.

We had a Medicare commission with Democrats and Republicans, chaired by Senator Breaux, that addressed this Medicare problem in a serious fashion. The President’s response to that was to scuttle the majority of that Medicare commission trying to make fundamental reforms because they told us something we already knew; that is, we can’t just keep pouring money into a broken, worn out, outdated system.

I think as Senator Breaux once said: You put gasoline into an old, beat up, worn out car and it is still going to be an old, broken down, beat up old car. Instead of pouring more money on top of the system, we need fundamental reform. We tried to do that. The President’s response was to scuttle it.

On Social Security we had bipartisan bills in the Senate, with Democrats and Republicans working together for serious Social Security reform biting the bullet. It is not the easiest thing politically to do but somebody has to do it. The Democrats and Republicans together are doing it.

The President was looked upon to have a little leadership. Perhaps in these last couple of years he will want some leader because this re-election will not be the only thing that is happening. What do we do about that? That is the problem.
I think that tax cuts have nothing to do with that. We set aside 75 percent of the surplus dollars and devote it to those very areas by means of a lockbox, by means of setting aside Social Security, Medicare, and having some control with spending priorities. Mr. President, 75 percent goes to those things.

I think the more important point we will hear time and time again is the President and Vice President on the airways hope the people will believe we are doing something bad to Social Security and Medicare if we pass a tax cut. The primary point is that these surpluses we are talking about are pretty much irrelevant to Social Security and Medicare. As the Comptroller General pointed out, if we put every penny in savings, if we put every penny of surplus into Social Security and Medicare, it would do nothing to change or rectify the fundamental inherent problems we face with those two programs.

I think we can cite the Comptroller, as well as GAO, in saying the President's proposal actually makes the Social Security and Medicare situation worse. In the Comptroller's view, IOUs into the Social Security trust fund which does nothing to save Social Security, and represents nothing more than a promise to do certain things in the future, and that, in turn, use that as a shield to say: Because we are not willing to address that, you have to go along with this 8-trillion-dollar idea to temporarily buy a few more years. Then they hope somebody will come down the road later on with more political courage to address the problem.

I think that is outrageous. Tax cuts have nothing to do with that problem. We set aside 75 percent of the surplus for those matters to start with, but tax cuts have nothing to do with the fundamental problem we are facing.

The only reason I can see for this kind of overreaction to a tax cut with these unprecedented surpluses is that the administration feels like a person who has been wronged, an injustice has been done to them, on the premise that it is the Government's money to start with and somebody has improperly tried to take that away from them.

For some folks, there will never be a good time for a tax cut. Over the last few years, the President recommended these tax increases in times of deficits. Now we have a time of surpluses and his response is more tax increases. I think it is a debate not just over tax dollars; it is a debate over power. The folks in Washington don't want to give up power. It is a question of who is going to make decisions with regard to people's lives. Will Washington collect money and dole it out as we see fit? Or are we going to leave it in the taxpayers' hands, at least 25 percent of the amount of money about which we are talking?

It is not this tax cut that is dangerous. What is dangerous is a government that can never, ever go but in one direction: eating a bigger and bigger slice of what we produce in this country. What is dangerous is an administration that will use this kind of debate to mask over the fact it is not willing to face up to timely problems. That is what is dangerous. I think the American people see that.

I think the American people support this bill. I support this bill and urge its passage.

The PRESIDING OFFICER. The time of the Senator has expired. Who yields to the Senator?

Mr. BAUCUS. Mr. President, how much time is remaining?

Mr. BAUCUS. I yield all 16 minutes to the Senator from West Virginia, Senator ROCKEFELLER.

The PRESIDING OFFICER. The Senator is recognized.

Mr. ROCKEFELLER. Mr. President, I am here in the hopes of convincing my colleagues to oppose the $792 billion tax cut, which is based on a premise of a projected surplus of $996 billion. We have just heard a speech which basically attacked everything President Clinton has done and stayed away from the tax cut debate itself, and that is shaping up as somewhat of a pattern. I am also here in the hope of convincing my colleagues that the only prudent fiscal course, the only way you can strike a blow for our constituents and for our country and for our place in this world, is by taking advantage of this, what I consider to be almost certainly a once-in-a-lifetime chance to take the projected surplus and use whatever actually accrues from that to pay down the national debt.

It is very odd to me that the Republican Party and Democratic Party almost seem to have switched. The Democratic Party appears to be the party of fiscal responsibility. The Republican Party wants to be the party of political expediency. That is a political statement on my part. I apologize for that. That is my understanding of what has happened in the last several years.

I think we should take this money to take down the debt. I think we should use it to save for Medicare and Social Security. We are paying down the national debt. We are paying down the national debt. As the Comptroller has suggested, if we see the surplus coming in the future years in the way that we want, to then do a meaningful tax cut—once we have put our fiscal house in order. Remember all the talk about getting our fiscal house in order? That is all we talked about in 1990, 1991, 1992, 1993. That was the talk—most of it from the other side.

We are almost there. Now we have to come to the point where we can actually get over the hump, position America well for the future, and my colleagues, at least some of them, want to blow all of this investment of effort and discipline we have made with a huge tax cut spending spree which the American people don't want, nor is American business asking for.

First and foremost, let's recognize the $996 billion surplus only exists—and I hope my colleagues will pay attention to this—only exists if you assume that Congress will cut $775 billion in real dollars over the next 10 years from programs that the American people want and need.

Does that mean we are adding on new programs? No. That is programs that already exist, that are already under the budget caps and already below expenditure levels of where they ought to be. So that surplus exists only if we cut an additional $775 billion from programs, which I will discuss in a minute.

That $775 billion in cuts is itself almost equal to the size of the Republican-proposed tax cut. That should tell you something about the tradeoff here, whether the tax cut numbers really add up, deep, deep cuts would be required in seniors programs, education, transportation, veterans—just about every area of the Government—an average of over 30 percent if we are to enact a $792
By deep cuts I mean the kinds of cuts in programs that provide health care to veterans. People talk about veterans and then run away from their obligations to them. Or child nutrition—we all talk about children. They will have to be cut by more than 40 percent in real terms if the Republican tax cut is enacted. This assumption is ludicrous. It is a sham that a massive tax cut of either $792 billion or, the so-called more moderate approach, the $500 billion—are they both shams. They both have the same results. They both cause us to reverse course on fiscal discipline and responsibility, not just to the American people today but to future generations.

We should all have the courage to admit that the Republican tax cut makes a mistake of historic proportions, we are subsuming our responsibility to the social fabric of America as we cast our votes. That kind of deluting discretionary cuts cannot happen in an IMF or the G-7 countries. The American people will not stand for it. I believe the projected $996 billion will not materialize. That is my personal view. I do not believe it will happen. But the tax cuts will kick in and they will be there. I believe once again we will get into the situation of spiraling deficits that we have tried so hard—going back to the structural impediment talks with Japan, and then the discipline the folks on this side of the aisle exercised in 1995—that all of us have tried to exercise.

Fiscal responsibility—corporate America has done it. Now Government is in the process of doing it. We have eliminated the deficits. We have a chance to eliminate the debt, something that has never even been contemplated before. Now we are going to blow it on a Republican tax cut which the people do not ask for.

Well-respected economists estimate that there would be probably cumulative deficits of maybe $232 billion in the non-Social Security budget over the next 10 years if the Senate Finance Committee’s tax packets were enacted. It is a lot less than what is projected. That should be reason enough to rethink a vote for this tax cut package or any tax cut package of such gigantic proportions.

Let me take a minute or two to outline what I think would happen to our economy if a massive tax cut were enacted. Let us consider what would happen if we actually voted to reduce taxes by $792 billion. Forget the inequity of distribution. I can go into that, but I will not now. Forget the cruel, gross, greedy inequity of that distribution. Forget it. What I would like to talk about is what happens to the people we represent benefit from the programs that will have to be cut. I go back to the 40 percent cut in programs that are now in effect and helping people; not new programs, not new spending, but programs in effect and already under-funded and staying that way through the year 2002. Benefit to the Head Start programs will have significant cuts. We all benefit from a range of basic Government services. The air transportation system is grossly under-funded. We all benefit from that. Not one cent of the American people are flying.

We benefit from what goes on at NIH in biomedical research. Cures for cancer, Alzheimer’s, Parkinson’s, and many other things are on their way. Or the assistance that is provided directly to the States—all of these things will be cut under the Republican tax plan. Not just cut, they have already cut, but they will be cut much more.

The NIH increase this year is minute. It looks insignificant, which is in fact, how people really want to do this? Are my colleagues truly willing to sacrifice those benefits for the American people for a tax cut that disproportionately benefits those who are doing best in our country already?

Three, the Treasury Department just provided us with an analysis of who benefits from the Republican tax cut when it is fully phased in. I point out on the marriage penalty tax cut, there will be no relief for any West Virginians or anybody from any of our States for the first 5 years because it does not kick in. All we do in West Virginia is pay more taxes under a Republican tax cut because of what it inevitably does through the Federal Reserve System.

If my colleagues vote for the Republican tax cut, if they are of such a mind to vote for the Republican tax cut, please understand that Americans in the highest income category will get 67 percent of the benefit of this bill. Can anyone call that a middle-income tax cut with a straight face? If one divides up the quintiles—America divided into five different income categories—it is gross; it is embarrassing to see what happens in the distributional tables of who benefits from the Republican tax cut.

How much is there for those in the lower brackets doing the best they can? Very little. In fact, for those in the lowest quintile, which is in fact, close to 23 million families, they get less than one-half of 1 percent of this generous Republican tax cut bill.

I suggest my colleagues should be able to answer these questions to themselves before they have to answer them to their constituents.

Equally shocking is the fact that more than 45 million families in the lowest brackets get a tiny percentage from this bill. The 23 million American families right in the middle get only 10 percent of the $792 billion Republican proposal. That means, again, that three-fifths, or a little bit more, get only 15.5 percent of the total benefits
in this bill. This is wrong; this is dangerous tax policy. Frankly, it is dangerous social policy which will reverberate in the performance of those whom I represent and my colleagues be viewed in their States?

Five, if we spend every dime and more of our available assets in the form of yet unknown surpluses before we preserve Medicare and Social Security for the future, there will be no additional resources left to strengthen those programs that we know the American people do want, do ask for, do insist on, and do look to us to provide.

Medicare is desperately in need of modernization. It is desperately in need of universal outpatient prescription benefit. Social Security needs to meet the needs of the baby boom generation. People on the other side and some on our side talk about we in Washington trying to decide what is good for the people as opposed to the people know what is good for the people. The people out there know. Those with whom I represent know they are not in it for themselves. They are in it for their children and their grandchildren. That is the way Americans are. That is the way we have always been.

Six, and finally, for your consideration: If my colleagues cast their vote for a $792 billion tax cut predicated on those deep spending cuts, how will my colleagues be viewed in their States?

The PRESIDING OFFICER. The Senator's time has expired.

Mr. MOYNIHAN. Mr. President, I yield 5 minutes off the bill to the Senator from West Virginia.

The PRESIDING OFFICER. The Senator is recognized.

Mr. ROCKEFELLER. I thank my Democratic chairman of the Senate Finance Committee.

If my colleagues vote for this bill, will they be viewed as a leader? Will they be seen as somebody who is thinking for the long-term good? That is what people want. That is what people yearn for, is leadership. Or will they be looked at as somebody who took the easy way out—"you pay 25 cents out of every dollar of the projected surplus back to taxpayers. Our Democrat colleagues say: Please, don't do that. The President is quoted in AP on July 25 at saying that our effort to give 25 cents out of every dollar of projected surplus over the next 10 years back to working people in tax cuts "will imperil the future stability of the country." In fact, yesterday the President said it would hurt women's health care. Perhaps today it will be that it will bring back the bubuntu plague.

But it is clear that the President is against giving back 25 cents out of every dollar of surplus—out of every dollar we are taking in above what the Government needs. He thinks giving back 25 cents out of every dollar is too much.

Our Vice President says that the tax cut before us is a "huge, gigantic, risky tax scheme."

This is very extreme language we are hearing. Let me try to explain why it is so shrill. It is shrill for two reasons, really.

No. 1, giving people back their money so they can spend it themselves rather than Government spending it for them hardly seems extreme to the American people. With the projected surplus of $2 trillion, giving about one-fourth of it back in tax cuts hardly seems extreme.

But the other reason the President and his supporters are so shrill is, the President is not telling the truth. Let me explain why.

I have a chart here that has the cover page and one page of text of the analysis of what is called the Mid-Session Review. This is an analysis by the non-partisan Congressional Budget Office that was just completed of the President's budget; that is, what he proposes we do with the surplus, what the budget adopted by the Congress proposes we do with the surplus, and then it comprises the two. The President is quoting in this afternoon, this is not me talking, this is not Bill Clinton talking, this is the nonpartisan Congressional Budget Office talking.

To listen to the President and to listen to our Democrat colleagues, you get the idea that this is a debate between cutting taxes and paying down debt. The problem is, that is not what the debate is about. This White House has turned misinformation into an art form. Here is the living proof of it.

In the analysis of the Mid-Session Review that was just published by the Congressional Budget Office, the Congressional Budget Office basically has two charts. One chart that had initially proposed spending some of the Social Security surplus, we have so shamed the administration that they now have agreed with us that the roughly $2 trillion of surplus caused by the Social Security should be set aside to either pay down debt or to fix Social Security.

It is interesting that we have voted many times on a lockbox procedure to
require that that money not be spent, and we have been unable to get the support of the minority in making that the law. But that is not what the majority of the Senate has agreed to.

Where the disagreement is—and the Congressional Budget Office shows it very clearly—is, what do you do with the non-Social Security surplus? Basi-
cially, what the Congressional Budget Office finds, that the administration desperately does not want anybody to know, is that their answer is, spend it. They are not paying down any debt with the non-defense discretionary surplus. In fact, over a 10-year period they spend every penny of it. And they spend so much money in their budget that in 3 of the years they have to plunder the Social Security trust fund, basically, so they can spend 1 trillion plus. In fact, Chairman Roth's tax cut, which the President is committed to, would spend an additional 1 trillion dollars more than the budget we have agreed on.

So when our colleagues are saying, don't give money back to taxpayers, pay down the debt, they are not talking about their program. The problem is, and the frustration is, if the President stood up and told the truth and said, don't give this money back to families, let me spend it, don't give this money back to working couples because they can't do as good a job spending it as the Federal Government could, then we could have a meaningful debate. But it is hard to have a meaningful debate because the administration basically is engaged in a concerted effort to mislead people.

But numbers and facts are persistent things. The Congressional Budget Office concludes, in looking at their own budget—and, again, this is the non-partisan CBO—that in total, the President, over the next 10 years would spend 1 trillion dollars of the non-Social Security surplus, which is a little more than the entire surplus. The non-Social Security surplus that is between letting Government spend money or letting the taxpayer spend the taxpayer's own money. But in addition to that, the tax cut that is being called 'huge,' 'vulgar,' 'dangerous,' by President Clinton and his supporters is actually substantially smaller than the massive spending spree the President would take us on with 81 programs.

I ask you, how can it be more dangerous to start to cut taxes by $792 billion than is to fund 81 programs and spend $1.033 trillion? Obviously, no one can argue that it is even equally dangerous. So what does the President do? He basically does not tell the truth.

Point No. 2, let's talk about: Why a tax cut now?

This chart really shows the highest 7 years in American history, in terms of the tax burden on working Americans. The tax burden in American history by the Federal Government was in 1945 when Harry Truman was President. By the way, 38 cents out of every dollar earned in America is what we were spending on defense in 1945. That was the highest tax burden in American history.

The second highest tax burden in American history is today. Under President Clinton, in the year 2000—which is the budget year we are considering—the Federal Government will tax 20.6 cents out of every one dollar earned by every American. That is the second highest Federal tax burden in American history.

The third highest is under President Clinton in 1998.

The fourth highest was under President Clinton in 1996.

The fifth highest was under Franklin D. Roosevelt in 1944, when defense was 37 percent of the economy.

The sixth highest was under Bill Clinton in 1997. Hence, why we have on this chart ‘Cause of Record Taxes: War and Clinton.'’

The seventh highest tax burden in American history was the day Ronald Reagan became President. What did we do? We cut taxes by 25 percent. So we have never had, except under President Clinton, tax levels approaching the level we have today.

Now, in terms of this 'dangerous' tax cut, this is probably the most telling chart of all. The day Bill Clinton became President, the Federal Government was taking 17.8 cents out of every dollar earned by every American in Federal taxes. Today, we are near an all-time record of 20.6 cents out of every dollar earned by every American. Hence, since Bill Clinton has been President, with the 1993 tax increase as people have moved into higher tax brackets, the tax take on the American people has grown from 17.8 to 20.6 percent.

Now, if we took every penny of the non-Social Security surplus, which is $1 trillion, under current services, actually, bigger if you take a spending freeze, but if we took every penny of that, and we are not proposing that here, are we talking next year, they are not over $1 trillion—but we took the entire trillion and gave it back in tax cuts, 10 years from now, when that tax cut is fully implemented, taxes would still be 18.8 percent of the economy, and taxes would still be substantially above where they were the day Bill Clinton became President.

So when he is calling this tax cut 'dangerous and huge,' it is a tax cut that would not get us back, in terms of tax burden, to where we were the day Bill Clinton became President. It would still mean the tax burden during the Clinton administration, even with this tax cut, would have grown by more than in any modern era. Let me address the idea that this is a huge, dangerous tax cut. It is very interesting how people make up these things and nobody goes and looks it up. But let me give you some figures.

We are projecting next year, the first year of this tax cut, that revenues are going to be $1.9 trillion. We are going to collect that much in taxes. This tax cut next year is a whopping $4 billion. So out of $1.9 trillion of taxes we are going to collect, this would give us $4 billion back. That is .21 percent. Now, that is the 'huge, dangerous' tax cut about which we are talking. It is implemented over a 10-year period. But over that entire period, what is being called a 'dangerous' tax cut would reduce taxes on the American people by 3.48 percent. So it is less than a 3.5-percent reduction in taxes, far less than President Clinton would increase government spending. I remind my colleagues, and somehow that is ‘dangerous.’

Well, it is dangerous if you are Bill Clinton, because if we give this money back to the American people, he can't spend it. There are 81 programs he would like to have that he won't get. What the President should be asking, rather than misleading people, is: Here are my 81 programs. This is what I am going to do for you. I love you and this is what we are going to do for you. And we ought to be forced to say: We are going to give you this tax cut, and we are going to let you decide how to spend it.

Some people could look at the President's 81 programs and look at our tax cut and they can say, 'I would rather President Clinton do it,' or 'I would rather do it myself.' That is the legitimate debate we ought to be having. But we are not having it because the White House continues to mislead the American public.

Let me make a few other points. Our colleagues keep talking about tax cuts
for the rich. I have noticed there is a code here: Any tax cut is for the rich. Any tax increase is for the poor. Let me run over these figures real quickly so people understand.

The top 1 percent of income earners in America pay 39 percent of all the income earned, but they pay 32.3 percent of all the taxes.

The top 5 percent earn 30.4 percent of all the income earned, but they pay 30.9 percent of the taxes.

The top 10 percent earn 41.6 percent of the income earned, but they pay 62.4 percent of the taxes.

Should anybody be shocked when you cut taxes, when the upper 50 percent of American income earners pay 99 percent of the taxes, and they are going to get most of the tax cut?

Only our Democrat colleagues and the President would be outraged about that. Our view is that tax cuts are for taxpayers.

Who is rich? I decided to look at this top 50 percent of income earners and basically ask: Who are these rich people the Democrats think should not get a tax cut?

Let me go down who they are.

They are the 50 percent of people who pay roughly 99 percent of the income taxes.

They are 62 percent of all homeowners in America. They are 66 percent of all people between the ages of 45 and 64. They are 67 percent of all full-time workers in America. They are 68 percent of all workers who went to college. They are 69 percent of all married couples. And they are 80 percent of all two-earner households in America.

These are the people who the Democrats tell us are unworthy and should not get a tax cut.

Let me tell you what the code is. The Democrats are always for a tax increase, and the tax increase, no matter who it is imposed on, is always a tax on the rich. They are always against the tax cut, and the tax cut always goes to the rich, and that is basically the code.

When you break through the code, the code is they are for tax increases. They are not for tax cuts because they believe the Government can do a better job of spending your money than you can.

The final two points: We often hear from our colleagues that this is the worst tax cut since the Reagan tax cut of 1981. This is the worst tax cut since the Reagan tax cut. Do we want to do it again?

Let me remind my colleagues the day Ronald Reagan became President, an average family in America making $50,000 a year was paying $12,626 in Federal income taxes. They were paying 25 cents out of every dollar they earned.

Then Alan Greenspan is in favor of giving part of it back—in this case a very conservative amount, 25 cents out of every dollar we have in surplus.

I think we should do it. I think it is the responsible thing to do. I believe we will do it.

If this is taking us back to the terrible days of lowering the tax burden, I am ready to go back.

Mrs. MURRAY. Mr. President, I rise today to express my concerns about the tax plan proposed by my Republican colleagues.

When I first came to the Senate in 1993, there were projected deficits as far as the eye could see. The United States had not seen a budget surplus in a quarter century. The American people were demanding change after more than a decade of Republicans in the White House, and Republicans in control of this body from 1980 to 1986. We knew we had to make some unpopular decisions to put our fiscal house in order. And working with the Clinton administration, the 103rd Congress made the tough decisions.

We reduced the tax burden for the middle class and we restored some degree of tax fairness to our system. We put the Federal Government on the road of less spending, while maintaining commitments to core priorities. Some of my colleagues were defeated in 1994 because they did the right thing for the future of America.

In 1997, Congress and the administration reached a bipartisan agreement to balance the budget and provide responsible tax relief to the American people. At that time, we had no idea we would achieve an on-budget surplus so quickly. Wise fiscal and monetary policies
and a strong economy have provided a projected surplus that gives us hope we can solve some of the biggest challenges of our time. It is an exciting time to be in the Congress.

But in our excitement about the projected surplus, I am afraid we are acting in haste. And in doing so, we could undermine the hard work we have done to get to this point.

Let me be clear: I support responsible tax relief for the American people.

I support further reform of our nation’s estate tax laws so that the small timberland owner in Mason County, Washington, and the small business owner who sells farm equipment in Moses Lake, Washington, can pass their land and livelihoods on to the next generation.

I support deductibility of health insurance costs so the self-employed owner of a technology start-up company in Seattle can afford health care.

I support expanding the low income housing tax credit so that we increase the availability of affordable housing for low- and middle-income families, especially in rural and urban areas.

I support the creation of Farm and Ranch Risk Management Accounts so the apple grower in the Yakima Valley will have one more tool to manage the risk inherent in agriculture.

I support the extension of the research and experimentation tax credit so Washington state high-tech and biotech companies have the incentive and the ability to invest in their long-term future and the future of our country.

I support reforming the individual alternative minimum tax so that families and Washington state can continue to enjoy the full benefits of the HOPE scholarship and the per child tax credit that we passed in 1997.

In principle, I support all of these ideas, and many others that have been proposed. However, we cannot afford to make tax cuts without considering and carefully weighing the consequences. The American people deserve a responsible tax cut. They also deserve an honest debate from this Congress about how the Republican tax bill would affect their lives.

The majority’s tax plan is based on an assumption. An assumption about what future Presidents and Congresses will do. They assume we will have a projected $792 billion non-Social Security surplus through fiscal year 2009. My colleagues propose to use $792 billion of that projected surplus over the next ten years to reduce taxes. They also assume that three-quarters of the projected surplus will come from unspecified reductions in spending by future Congresses.

To all the citizens watching around the country today, let me explain. The 1997 balanced budget agreement called for strict spending caps in discretionary, nondefense spending in fiscal years 2000, 2001, and 2002. In other words, the 17 percent of the Federal budget that funds all Government activities besides Social Security, Medicare, Medicaid, and interest on the $5.5 trillion national debt is subject to cuts.

That 17 percent funds the federal role in improving education, giving greater access to Head Start, preventing crime, protecting the environment, providing health care to veterans, investing in urban and rural communities, maintaining national parks, creating affordable housing, reducing traffic congestion through highways and mass transit, and many other important functions.

The projected surplus uses as its baseline spending targets established for fiscal year 2000. Right now, the Senate Appropriations Committee, of which I am a member, is struggling to move forward with bills. Even some of my Republican colleagues have indicated that they cannot write appropriations bills within the current spending caps.

For example, both the VA, HUD, and Independent Agencies spending bill and the Labor, Health and Human Services, and Education spending bill have not been reported by their respective subcommittees because of the funding difficulties involved.

The majority’s tax plan is based on a balanced budget. But in the 1997 agreement we now know that was an assumption—this year alone we have a $23 billion national debt surplus.

The American people need to understand that this tax cut will mean massive, unprecedented cuts in important and popular domestic priorities.

If we assume that Congress will meet the discretionary spending caps outlined in the Republican plan, then non-defense discretionary programs would have to be cut by 23 percent by 2009. What does this mean for Washington state?

It means 23 percent less for Hanford cleanup. It means 23 percent less for salmon recovery. It means 23 percent less for community police officers. It means 23 percent less for highway improvements and mass transit to meet our growing infrastructure demands. It means 23 percent less for Head Start, which serves more than 9,000 children in Washington state. It means 23 percent less for reducing class size. It means 23 percent less for VA hospitals. It means 23 percent less for the management of Mt. Rainer National Park. But reductions in discretionary spending is far from the only concern with this tax bill.

This bill jeopardizes our ability to reduce our national debt. All of my colleagues have worked hard to get our fiscal house in order. We have successfully balanced the budget, provided reasonable tax relief, and contributed to the continued growth and improvement we have today. One of our priorities must be continuing to reduce publicly held debt. By doing so we can decrease the interest payments on the debt that currently claim 15 percent of the federal budget. And reducing the debt will also help keep our economy moving forward. Federal Reserve Board Chairman Alan Greenspan has indicated again and again that reducing debt is preferable to a large tax cut.

I have saved the most important issue for last: Social Security and Medicare. Throughout the past year, as it appeared we would have a large projected budget surplus over the next ten years, I have said repeatedly that we should not raid the surplus for tax cuts until we protect Social Security and Medicare for the long term.

I have listened to many of my colleagues talk about the importance of returning money to taxpayers. Let me tell my colleagues there is no better return on the investment for taxpayers than saving Social Security and Medicare. This must be a top priority. If we fail to protect Social Security and Medicare longer than men, and for all women over age 65, 60 percent of their retirement income comes from Social Security. Often, Social Security and Medicare are their only hope for maintaining a reasonable standard of living and some degree of independence and dignity.

If we fail to protect the solvency of both of these important safety net programs, my generation will become a burden on our children. Our grandchildren will not have the same economic opportunities that we had simply because their parents will be taking care of us. More and more older Americans would fall deep into poverty, further straining family and government resources, and most important the emotional and physical health of seniors.

My Republican colleagues claim they have created a lock box for Social Security and Medicare. However, the Republican proposal simply continues to reserve the Social Security trust fund surplus for Social Security. But, they do not provide any additional resources for either Social Security or Medicare and they do nothing to improve their solvency. Their lockbox is an empty promise.

We can argue about the economic threat posed by this package of tax cuts targeted to the more affluent and they do nothing to improve their solvency. But I think we should be talking instead about maintaining the most successful economic stability programs
ever implemented by the federal government—Social Security and Medicare. Can you imagine the economic upheaval that the insolvency of Social Security or Medicare would cause? Can you imagine that hard working Americans want economic security in their retirement years, not tax breaks they may never even see or benefits from Medicare or Social Security? That’s an important point, Mr. President. This tax bill, which would do nothing for Federal initiatives—from Social Security to Medicare, from transportation infrastructure to education, from Section 8 housing to clean air and water—that raise the quality of life of the low and middle income Americans would then give three-fourths of the benefits in return to the top one-fifth of income earners. The average tax cut for the top 5 percent of taxpayers—with incomes of $38,200 and below—would be $139 per year. And in return for that tax cut, that same family would have to worry even more about taking care of elderly parents, about where they will find money to help their kids go to college since there are fewer Pell Grants, and about how they get to spend some time with their kids when they are on congested highways for hours each day. And to top it all off, when the family goes on vacation to see our nation’s national parks, the gates will be closed.

I will support the alternative drafted by my Democratic friends on the Finance Committee. The alternative would meet many of our priorities for any tax bill we send to the President.

The Democratic alternative would provide broad-based relief to the more than 70 percent of taxpayers claiming the standard deduction. It would remove three million taxpayers from the tax rolls. It would also provide marriage penalty relief. These are real benefits targeted to precisely the lower and middle Americans that need it the most.

The Democratic alternative would allow 100 percent deductibility of health insurance costs for self-employed individuals and include a 30 percent tax credit for individuals without employer-sponsored plans. Since the Senate failed to pass a strong Patients’ Bill of Rights, the least we can do is make health insurance more accessible to all Americans.

The Democratic alternative would make public school modernization a high priority. It would provide $24 billion in modernization bonds. Mr. President, this would send a strong message to our nation’s struggling farmers and ranchers. It would establish Farm and Ranch Risk Management FARM, accounts so that producers could better manage their income to reduce risk. Given that it is unlikely Congress will act to improve the pension safety net for growers this year, FARM accounts are the least we can do.

I urge my colleagues to vote for the Democratic alternative. A vote for the Democratic alternative is a vote for responsible, tax relief and responsible government. At a time when most Americans do not have much faith in Congress, let us not compound that sentiment with responsible tax policies. We have worked so hard to correct the misguided policies of the past. As we move forward into the next century, let’s learn the lessons of the past and reject the Republican tax plan in front of us.

Mr. GREGG. Mr. President, I rise to address several important provisions in the tax relief legislation that has been reported out of the Senate Finance Committee.

In the last few years, I have taken an especial interest in reforming our federal entitlement programs and our tax policies so as to recognize and to prepare for the retirement of the Baby Boom generation that will begin in 2008. During the last Congress, I was appointed by Majority Leader TRENT LOTT to chair a Senate Republican Task Force on Retirement Security, on which Chairman ROTH served, and provided the benefit of his experience and his enduring commitment to promoting retirement saving. Our task force produced a bill, numbered S. 883 in the last Congress, several provisions of which were included in the 1997 reconciliation bill. I am pleased to see that several of those provisions are included in this year’s reconciliation bill.

I would like to review several of these provisions and to discuss their significance.

Chairman ROTH has devoted several years of his career to promoting increased personal saving through individual retirement accounts. His IRA legislation, the Roth-Breaux bill, was included in its entirety as the first title of our comprehensive bill. The Chairman succeeded in passing some of the provisions of this legislation during reconciliation last time around, including the back-loaded IRA that has become known as the ‘‘Roth IRA.’’ This time, the Finance Committee mark moves the ball still further forward on expanding the saving in individual retirement accounts. It increases the contributions that can be made to these accounts, as well as expanding the number of individuals who can participate in them. Now more than ever, with the market poised on the brink of retirement, ready to move from being earners and investors to being consumers, ‘‘all saving is good saving.’’ It is a very propitious time to propose that individual saving be promoted and encouraged.

I urge my colleagues to vote for the Democratic alternative. A vote for the Democratic alternative is a vote for responsible, tax relief and responsible government. At a time when most Americans do not have much faith in Congress, let us not compound that sentiment with responsible tax policies. We have worked so hard to correct the misguided policies of the past. As we move forward into the next century, let’s learn the lessons of the past and reject the Republican tax plan in front of us.

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CONGRESSIONAL RECORD—SENATE

July 28, 1999

Mr. ROTH. Mr. President, pursuant to section 904 of the Congressional Budget Act of 1974, I move to waive section 313(b)(1)(e) of the Budget Act for the consideration of S. 1429, and to bring to its consideration the Finance Committee mark. As the chairman for the level of attention that he has given to retirement saving in the Finance Committee mark. As the chair of the Republican Task Force on Retirement Security, I find it gratifying to see that the chairman placed such a high priority for these needs among the competing objectives that Senators brought to crafting this tax bill. I hope that indeed “the time has come” for many of these provisions on which we have worked so hard in the past, and I hope that they will be supported throughout this reconciliation process.

I thank my colleagues, and I yield the floor.

The PRESIDING OFFICER. Is there a sufficient second?

Mr. LOTT. Mr. President, I raise a point of order that section 1502 of the Budget Act which forbids any reconciliation bill from achieving a net reduction in revenue beyond the 10 years for which the committee was instructed.

Of course, achieving a net reduction in revenues is our goal, as well as our instructions. Moreover, the Budget Act provision in question was not written with this situation in mind. It was not written to hinder refunds of a budget surplus. Rather, it was written to bar creative accounting provisions, such as those offered on this floor to delay the timing of expenditures, or to accelerate the timing of revenue. These were one-time only provisions designed to occur at the end of the window—not for any policy reason but only to achieve compliance for a moment in time with the relevant instructions.

I remember a military pay installment bill once moved from the last day of one fiscal year to the first day of the next year, which was outside the window, to achieve budgetary savings in the earlier years. But no provision of that sort is contained in this bill. Rather, the question is whether any tax relief can be permanent except for a very small percent of tax provisions.

It is a general rule that tax relief is permanent. This was true with the last tax bill, which provided an actual tax cut—the Tax Relief Act of 1997. But that bill was paired with a balanced budget act of the same year, the savings of which far exceeded the tax cut that they provided.

Today, we face a new question under the Budget Act because it is unnecessary to pair this tax cut with another bill to cut spending. It is unnecessary because we have already achieved the goal that such a spending bill would have to achieve, a surplus to fund a tax cut.

In my opinion, the Budget Act provision makes no sense if applied to the current circumstances. Everything I have said applies in equal measure to the Democratic alternative, and every other tax cut Members are anxious to propose on the floor this week.
It speaks of hubris to suggest we know the cost of the first decade. That was not a commonsense conclusion. That is the better tax policy. I urge support for the waiver to protect this legislation against an arcane budget rule never intended to apply to this situation.

The PRESIDING OFFICER (Mr. CRADO). The Senator from New York.

Mr. MOYNIHAN. As my good friend knows, at the end of my statement this morning I indicated I would raise this point of order against section 1502 of the bill, which restores the sunsetted provisions of the bill beyond the 10th year. That is clearly a violation of the Byrd rule which deals with increasing the deficit on a reconciliation bill.

I am surprised to find my friend refer to that provision as “antiquated” or “arcane.” Tax cuts over 20 years tending to control this deficit. We quadrupled the national debt in 12 years, from 1980 to 1992. We have now reversed that. We have made the point on this floor that we are providing tax reductions for a projected surplus that has not occurred and may not occur. It certainly does not exist.

A few days ago, in a letter to the Democratic Members on our side, our dear friend, the chairman of the Committee on Foreign Relations, with respect to the Comprehensive Test Ban Treaty, used the word “floccinaucinihilipilification,” and it was reported in the press this morning. He got that word from the Senator from New York. Floccinaucinihilipilification is now the second longest word in the Oxford Dictionary. It is from a debate in the House of Commons in the 18th century meaning the futility of budgets. They never come straight.

I had the opportunity to review an autobiography of John Kenneth Galbraith years back in the New Yorker magazine. I added “ism” to refer to the institutional nature of this, so it became floccinaucinihilipilificationism. It is no joke. One never gets it right. It is not because one cannot, one does not try.

"Exogenous": Come in from the outside. Drought, hurricane, Asia goes to pieces. We don’t know what will happen. We have this spent $20 billion tending to control this deficit. We quadrupled the national debt in 12 years, from 1980 to 1992. We have now reversed that. We have made the point on this floor that we are providing tax reductions for a projected surplus that has not occurred and may not occur. It certainly does not exist.

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investments, but investments in education, investments in child care, investments in economic development, investments in our urban communities, investments in our rural communities.

This Republican initiative will explode the debt. It is fiscally irresponsible. It will put us in a straitjacket where we as a country will not be able to make any of the wise investments we should make in education for our children and our grandchildren. This is a critically important initiative, I say to the Senator from New York, and I fully support his action. This vote is probably as important a vote as we are going to have over the next couple of days.

I yield the floor.

The PRESIDING OFFICER. The Senator from New York.

Mr. WELSTON. Mr. President, I could not more agree with my friend from Minnesota, who has taught political science superbly well. Earlier today, in opening remarks, I commented on a theory that developed on the conservative side of politics in the 1970s which held that the way to control the size of the Federal Government was to starve it of revenue—"starve the beast" was the rather graphic term. It was indeed. That was the effort in the early 1980s until they realized it was not working. Just yesterday, E.J. Dionne wrote:

"The long-time goal about which Republican leaders are candid, is to put Government in a fiscal straitjacket for years to come."

This is an idea with which we are dealing, not a bunch of numbers, a grand strategy, and it will work if, in the second decade, we see a cost of this measure. The Treasury estimate is $3 trillion, and the invisible sum which will paralyze which will put the Government in a straitjacket. We have no right to do that to another generation of Americans. If they wish to do it, that is their right, but it is not surely our option.

Mr. WELLSTONE. Mr. President, I say to my colleague from New York, the point he just made is profoundly important. We do not have a right to make this decision for our children. The next century belongs to them. We do not have a right to make this decision for other Democrats and Republicans who are in the Senate to serve and represent people. This is fiscally irresponsible. It explodes the debt, and it puts us in an absolute straitjacket whereby we will be incapable of making any of the investments we all say we are for to make this a better country.

I yield the floor.

Mr. ROTH. Mr. President, I yield 10 minutes to the Senator from Missouri.

The PRESIDING OFFICER. The Senator from Missouri.

Mr. ASHCROFT. I thank the Chair.

Mr. President, I thank my colleague for this opportunity to address what I consider to be a very important issue. Of all the freedoms we cherish, I think the freedom to use and to spend and to devote the product of our own hands, the work we do to benefit our own families, is perhaps one of the most cherished freedoms of a free society. In our debates about the theories of government and resources and whether we should have tax cuts or increased taxes, sometimes we forget that it is a fundamental freedom—a cherished opportunity for individuals—to accept the incentive, the opportunity, and the responsibility of providing for themselves.

One of the things we want to provide for ourselves, obviously, is government, so that we have a framework in which our property, our wealth—that is what we earn, People earn that, they create it with work and decide how it will be devoted, what will happen to it.

We have a situation now where our Government has taxed the American people to such an extent that if those taxes are just collected over the next 10 years, we will have collected in that 10-year period about $3.3 trillion that we will not need to spend in that 10-year period. That is why we call it the surplus. People earn that, they collect it, they keep it, and they vote to have it for their own benefits and for their families. They have the incentive, the opportunity, and the responsibility of providing for themselves.

We stand on the threshold of a debate about what happens when a person works hard and creates something, creates resources, earns wages, creates wealth—that is what we earn. People earn that, they create it with work and decide how it will be devoted, what will happen to it.

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We are for to make this a better country. It is our duty to do so.
of that surplus which we will not spend, and that is the part that is the surplus related to Social Security. We said there will be no expenditures of the Social Security surplus. It sounds simple and it sounds like something that should always have been the case, but the truth of the matter is, for the first time in recent history, in memorable history, for the first time we had a budget in this body that said we are not going to spend the Social Security surplus.

Frankly, on this side of the aisle, I am very proud of the fact that we have been able to do that. It was not a budget that was voted for by the people on the other side of the aisle. They did not vote for that. That is not something they have ever done with one of their budgets, for one of the things they have done with their leadership, but it is something they fought against. We have done it, and it is now an achievement of the Senate that we have a budget which is designed to protect every family against Social Security, none of it to be spent to cover operating budget demands of this Government. That is a major achievement. That is something for which we can be grateful.

Secondly, we have a plan in place, even with the proposed tax relief for the American people, that will cut the national debt, the publicly held debt of America, in half over the next 10 years. That is pretty responsible. They are talking about lots of things, saying we are not addressing the debt properly.

Never have I seen any budget in a previous setting ever purport to move forward to cut the deficit in half in the next 10 years. Very few families will try to pay off a mortgage in that period of time—very few. We have an opportunity now, very responsibly, to set aside Social Security, which the American people want us to do, to take the budget deficit of publicly held debt in this country in half, that the publicly held debt by half in the next 10 years. And then we will have some money, some resources that are left over in this vast infusion of Government resource that has come from the people. What are we going to do with the rest of it?

The Republican plan simply says a good part of that, some significant part of it, ought to go back to the American people. They should be able to spend it on their families, to do for themselves what they do not need Government to do for them, because the best department of social services is the family, the best department of education is the family, the best department of health is the family.

Let’s let our families operate. Let’s fund families, not just bureaucracies. Let’s fund people in their homes, not just the bureaucracy in its Government. That is what the Republican plan is.

There is a lot of debate now: If we can afford a tax cut for the next 10 years, we have to make sure we do not promise the American people we can have tax cuts for a permanent basis. We are making this tax relief on very modest presumptions regarding the prosperity of this country. We are presuming a very modest growth, very limited. This is conservative.

It is not appropriate for us to say we will provide tax relief now and not provide it later. If we repeal the marriage penalty tax now, we should not penalize you ten years later. That does not make sense.

We simply ought to put the tax rates where we believe they reflect the integrity of the American people and the productivity of the American people and the fact that the American people are now being asked to pay more than it costs to provide the service. And we ought to reduce them permanently, not on a piecemeal basis, not with an automatic reinstater of a tax which is the highest in history.

Why is it we are asked to have a tax cut and those on the other side of the aisle want to make sure we cannot make it permanent relief for the people, that we have to promise somehow that the highest rates in history will be revisited after a 10-year lapse? I do not believe that is good government. I do not believe that is good judgment.

I believe when lower taxes, when we lower the burden on the American people, we are beginning to direct the assets of the culture to America’s families instead of governmental bureaucracy. It seems to me we ought to do that on a permanent basis.

I do not remember tax increases that have said they only last 10 years. It seems to me that when taxes have been raised in the past they have never just been raised. I think we would be well served to say we are going to provide a tax structure that respects families. We are not going to say we will take the marriage penalty out of the code for 10 years and then reimposed it.

If we are going to provide tax equity for people so that the lowest-rate taxpayers in America have an even lower rate, and more people are paying at that lower rate, we should not say this is a sale which goes off and later on those taxes will automatically be raised by some Congress in the future or at some certain date in the future.

It is time for us to say that the American people have simply paid in more than it takes to buy the gallon of milk that I want to buy for my family. That is what I tell people: I tell you what I am going to do for you. I am going to give you a stalk of celery and a bag of broccoli and two boxes of cereal so you use up all the money you paid me. He says: You paid more than is necessary for the services, and you get change. You get a refund. You get relief. You get some of your resource back.

I think that is where we are as a Senate. It is time for us to look at this country, where our cost of government is higher than it has ever been in the history of this Republic, and to say that it is time to give people relief. That relief is appropriate. And it should be permanent, not relief upon which we could not rely, but that it should be relief upon which we can rely, plan, and build for our future.

Mr. President, I reserve the remainder of my time.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. May I observe in passing, the cost of government is not greater than it ever has been. The revenues are. That is why we have a surplus.

To my good friend, the Senator from North Dakota, I yield 4 minutes to respond; and then the remaining 5 minutes I yield to the Senator from Montana.

The PRESIDING OFFICER. The Senator from North Dakota is recognized for 4 minutes.

Mr. CONRAD. I thank the Chair and the ranking member, the Senator from New York.

The Senator from Missouri misspoke. He said that those of us on this side have not supported saving every penny of the Social Security surplus for Social Security. He is simply wrong. The budget we offered on our side not only saves every penny of the Social Security surplus for Social Security; in addition, we proposed saving an additional $300 billion over the next 10 years to strengthen and preserve Medicare.

So not only did we propose saving every penny of the Social Security surplus for Social Security, we also proposed taking another $300 billion and using it to preserve and protect Medicare.

The thing that is really jolting about this discussion is what is in this column that I referred to earlier by Robert Samuelson in the Washington Post today. He says:

The wonder is that the Republicans are so wedded to a program that is dubious as to both policy and politics. As Federal Reserve Chairman Alan Greenspan noted the other day, tax cuts might someday be justified to revive the economy from a recession or to improve the prospects of a sweeping program of privatization. But there is no case for big tax cuts based merely on paper projections of budget surpluses.

Members of the Senate, that is what is so radical about this proposal—radical, as is so often the case. This proposal not only has massive tax cuts—94 percent of all the non-Social Security surplus over the next 10 years—but it absolutely explodes in the outyears. A
tax cut that is $800 billion in the first 10 years becomes $2 trillion and costs an additional $1 trillion or more. That is exactly why the Byrd amendment was designed to prevent. The whole reason there are expedited procedures in budget reconciliation is to reduce deficits.

Our friends on the other side are trying to use those expedited procedures on a measure that would increase deficits—blow a hole in the budget, potentially a hole of over $3 trillion. That is dangerous. That is not conservative. It is radical. It is reckless.

When they say they are only adding 25 percent of what is available—nonsense, absolute nonsense. Of the $3 trillion that is projected—and, remember, just as Mr. Samuelson points out—if these projections just change a little bit, as they have over and over and in our history, these projections of surplus could change to projections of deficit, and we will rue the day when we have undermined the dramatic moves we have made toward fiscal responsibility in getting this country back on track.

The PRESIDING OFFICER. The time of the Senate has expired.

Mr. CONRAD. I just remind my colleagues, the Democratic plan has more debt reduction in it than the Republican plan. That is a fact. It is indisputable. I hope my colleagues will resist this move to overcome a budget rule to prevent undermining the fiscal integrity of the United States.

Mr. MOYNIHAN. The Senator from Montana is yielded the remaining time we have.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, this debate is almost surreal. We are debating whether to be reckless or not. It comes down to that, whether to be responsible or whether to be reckless.

The numbers are clear. They are compelling. The logic is steel-trap logic, with these numbers showing what this Republican majority budget tax proposal will cost—creating recklessness, irresponsibility. The numbers are just black and white clear.

This side has come up with charts, numbers; we have quoted from objective observers, columnists. It all comes out the same. This is extremely irresponsible. Let me remind my colleagues again why.

First of all, this is a column in a recent, very respected paper, the Wall Street Journal, from a day or two ago: “GOP Uses Two Sets of Books. Double-Counting Surplus Keeps Alive the Notion of Being Within Budget.” That is from the Wall Street Journal, written by David Rogers. No one accuses him of being a biased Democrat. He is a reporter of one of the most respected financial papers in the world, the Wall Street Journal.

This is his conclusion of what is going on: GOP uses two sets of books; double-counting. The Republican plan. That is clear. I call that reckless. I call that irresponsible. Again, it is surreal.

Let me point this out, again, undisputed. Nobody disputes this. The Republican tax breaks explode, like the atom bomb, in the second 10 years. Nobody disputes that. If you added interest to this, their tax cuts are roughly $1 trillion. There is nothing left over for anything else—Medicare, veterans. If you add in defense, which I am sure the Republican majority is going to do, that amounts to about a 40-percent cut, 40 percent in veterans’ benefits, in education, et cetera. That is just the first 10 years.

Then you add it out in the next 10 years and it is over $2 trillion.

Mr. MOYNIHAN. Plus interest.

Mr. BAUCUS. So $2 trillion, plus interest on the national debt, at a time when the bankers retire. Why is that so important?

Just one more chart here. It shows when the baby boomers are going to retire, when current younger Americans are going to retire. It is clear. The chart goes way up, beginning here in 2010, and the cost is $250 billion by 2020, at a time when the trust funds, the Medicare trust fund, come to zero.

So add it all together and the Medicare trust fund comes down to zero in 2015, No dollars left there. The baby boomer population is exploding and the tax cuts, which push us down into a deeper deficit, will be exploding in the second 10 years. No wonder the majority party wants us to pass this motion waiving all points of order, waiving fiscal responsibility. Again, why are we debating this? Why are we even debating whether to be responsible or irresponsible? It is clear.

One more point. We remember that dreadful day when a conference report was brought back to this body with everything including the kitchen sink in it—everything—bills that were never debated, provisions that were never debated, provisions that have not been debated, provisions that have not been discussed. That is what the Senator from Montana argued, is to try to protect us from provisions that have not been debated, provisions that have not been discussed, provisions that have not been debated, provisions that show up in a reconciliation bill where we have rules that are distinctly different from the Senate rules, principally, that you have limited debate for 20 hours and that, therefore, you can filibuster it and, therefore, you don’t have to have 60 votes to pass it.

I am a supporter of the Byrd rule. I think it is a good rule, and I think it is a rule aimed at exactly the kind of offense that the Senator from Montana is talking about; that is, issues that have not been widely debated, issues that have not been considered in committee, and issues that have not had a full airing of public opinion. But can anybody argue that any of those points applies to this tax bill? Does anybody here believe this tax bill has not had a full airing of public opinion?

The President, daily, issues some new statement. Yesterday, it was going to be the end of health care for women in America if we cut taxes. For all I know, by this afternoon there could be a new coming of the bubonic plague if we cut taxes. Daily, the Vice President comments on it.

We have had a running debate now for weeks on this issue. We held extensive hearings in the Finance Committee on the issue. We held a markup. We have had extensive debate. Nobody in America has any doubt as to what we are doing in this bill. So my point is that all the reasons we have the Byrd rule, all the reasons that were adequately explained by the Senator from Montana, are good reasons to strike provisions from a reconciliation bill. And that is, if the provisions have not been widely discussed, if the public is not generally aware of them, if there have not been committee hearings and a markup on them, you don’t want to give them the special privilege of being
in a reconciliation bill. But surely I don’t have to make a lengthy argument to convince people that none of those things is very practical.

It is true that our Democrat colleagues, using this technicality, can force us to sunset this tax cut in 10 years. They can do it. And in doing so, we have the tax cut for 10 years. Nobody believes the Congress or the American people will just allow them to fall off the end of the Earth in 10 years. It is not the complete undoing of our tax cut if this point of order should be sustained. I don’t know that it would be of great practical importance. But I simply say that on an issue that is the No. 1 issue in the country, on an issue that has been extensively debated, on an issue where we held hearings and a markup, on an issue where every American knows the subject is being debated—it is referred to on a minute-by-minute basis on most of the major outlets for news in America—there is no logic to sustaining this point of order.

I hope our Democrat colleagues will not take this technicality as an opportunity to create a Tax Code that is in such turmoil that it will not be able to work. We all are able to use our rhetorical acrobatics from time to time, but I must say, no one is better at it than the distinguished Senator from Texas as we try to define this set of circumstances.

This is a lot more than a technicality. The Byrd rule is there for a reason. I am glad he subscribes to the Byrd rule, but I must say, this goes way beyond the debate we had in committee and the understanding the American people and even Senators have with regard to what is in the bill. This will give the conference, the Congress, the Senate, everybody, carte blanche all the way through the legislative process until this bill goes to the President’s desk. Is that what we want to do? It would be one thing to waive a point of order and do so on the bill alone. That would be understandable. I might add, in that regard, it wasn’t the Democrats who made the point of order; it was the majority leader. The majority leader made his own point of order on this bill. It was the distinguished Chair, the senior Senator from Delaware, who made the motion to waive the point of order. So let’s make sure we have our facts straight. No one here made the point of order. They did.

But the point of order is not just on the bill. The point of order is on the conference report as well. I want somebody to come up and tell me what is going to be in that conference report. There is a huge difference between the Senate version and the House version, even on the Republican side. There are major differences that have to be ironed out and worked out.

We need to be prepared to waive the point of order on a conference agreement for which there has not been one word written, for which there has not been one meeting, for which really there is no understanding or comprehension today? How could we possibly waive a point of order on something that we haven’t done yet? That is what our Republican colleagues are prepared to do.

I hope we would have better sense than that, that we would recognize how ill-founded it would be and what a terrible precedent it would be for us to waive a point of order on actions to be taken at a later date by a conference we haven’t even named.

Mr. BREAUX. Will the distinguished chair yield?

Mr. ROTH. Mr. President, I say to my distinguished colleague, if we do not waive it with respect to the conference report, then we put the conference in a very difficult position. Should it write a bill for 10 years, or should it write a bill for 1 year? Should it write a bill for 10 years, or should it write a bill for 1 year? If we can’t get 60 votes, they have every right under our tax cut. It is not the end of the world. I think it is unsta-

I hope for a long time, the No. 1 issue in the country. I hope our Democrat colleagues who are not just hell-bent against a tax cut will vote to waive this point of order so we don’t have the absurdity of adopting a tax cut and have it temporary and have it end in 10 years.

Hopefully, we are going to have an opportunity to improve this during 10 years. I am still for it if it is sunset in 10 years. But I don’t think this is good policy, and I urge my colleagues to rise above the politics of the moment and vote for good policy.

I hope we have the strength of our time.

Mr. DASCHLE. Mr. President, I know our side is out of time, so I will use leader time to make a couple of remarks with regard to the vote we are to take.

We all are able to use our rhetorical acrobatics from time to time, but I must say, no one is better at it than the distinguished Senator from Texas, as we try to define this set of circumstances.

This is a lot more than a technicality. The Byrd rule is there for a reason. I am glad he subscribes to the Byrd rule, but I must say, this goes way beyond the debate we had in committee and the understanding the American people and even Senators have with regard to what is in the bill. This will give the conference, the Congress, the Senate, everybody, carte blanche all the way through the legislative process until this bill goes to the President’s desk. Is that what we want to do?

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But the point of order is not just on the bill. The point of order is on the conference report as well. I want somebody to come up and tell me what is going to be in that conference report. There is a huge difference between the Senate version and the House version, even on the Republican side. There are major differences that have to be ironed out and worked out.

If it was limited to the bill that is before the Senate where everybody does know what is in it, I could understand that argument. But to say that all points of order against anything that may come back—and who knows what may come back; I have my ideas about what it should be, and others have different opinions. I don’t know that we can waive points of order against something that we have not considered, why does the point of order waiver cover everything that has not yet even been written?

Mr. ROTH. Mr. President, I say to my distinguished colleague, if we do not waive it with respect to the conference report, then we put the conference in a very difficult position. Should it write a bill for 10 years, or should it write one for a permanent tax cut?

Just let me point out that I don’t know of a single tax cut taking place since we have had the Budget Act that was not permanent. I don’t think there is a single person in the Finance Committee or on the floor who thought otherwise—that when you had tax cuts that was necessarily going to be permanent. That is just common sense.

We all know that the point of the Byrd rule in this case was to avoid monkey business. We have all seen that happen, where you shift payment from one year to the next year by changing it but for 1 day and, by doing that, you assure that you are in compliance with the budget instructions in theory but not in substance.
Before I discuss the amendment, I yield 20 minutes to my colleague, Mr. President, we must have order.

The PRESIDING OFFICER. The Senator from New York. Mr. MOYNIHAN. Sir, I do not envy your position, but you seem to have had some success.

I yield 20 minutes for a general statement by my associate on the Finance Committee, the distinguished Senator from Louisiana, the senior Senator from Louisiana.

The PRESIDING OFFICER. The Senator from Louisiana. Mr. BREAUX. Mr. President, I thank the distinguished Democratic leader of our Finance Committee. It is interesting; I think the tax cut we have taken really means no matter what type of tax bill ultimately comes back to this body after the conference, we cannot make it a permanent tax cut. For those on our side who have argued for permanency in the Tax Code for research and development incentives, that means we cannot do that. It means if we have an increase in the standard deduction and fix the marriage penalty, we can't do that. It means all those things many of us as Democrats have argued should be permanent tax policy, now we are no longer going to be able to make it permanent no matter how good it is. The argument is true for the other side as well. No matter what comes back in the conference report, it cannot be permanent.

I think from a policy standpoint this is terrible policy. We literally are telling all the businesspeople in this country and employees in this country, people who have in this country, no matter what the law is today, it is going to fall off a cliff and go poof in 10 years. What kind of roadmap for economic growth is it, when a country says our tax policy is only going to be good for 10 years no matter how good it is? No matter how good a Democratic policy it is or Republican policy, it is only going to last for 10 years. That in itself is a very bad policy in this Senator's opinion.

At the same time, I recognize we are operating with our hands tied behind our back with regard to bringing up a tax bill through budget reconciliation, with all these rather archaic rules. We ought to be able to debate fairly a tax bill, make it permanent. If you do not like what is in it, vote no; if you like what is in it, vote yes. But we should not be restricted from offering tax legislation that is the permanent policy of this land.

We have had meeting after meeting in the Finance Committee, when people have come up and said: You have to make these provisions permanent. I am not sure whether I am going to expand and grow my company if you are only
going to allow it for 10 years, and who knows what is going to happen after 10 years.

That is not good public policy; it is not good tax policy, and it points to the problem: the fact that we are bringing up tax legislation in this reconciliation scenario that requires us to operate as we are operating. I suggest to folks on both sides of the aisle, how can we make tax laws in this country for more than 10 years, we have done something that is very terrible for this country. I think it is the wrong thing to do.

Let me make a couple of comments on the legislation that is before the Senate. Most countries around the world would love to have the problem we have in this Senate and in this Congress right now. Other countries would look at us and say, God, we do not have this opportunity. We cannot seem to come to an agreement on it. That problem is the United States has about a $1 trillion surplus, and all of us are trying to figure out what to do with the surplus. I suggest if we as a Congress, Republicans and Democrats, cannot come to an agreement on what to do with a $1 trillion surplus, we, in effect, have said we are not very good at governing; that we cannot simply come together, make our points, seek legitimate compromise, and figure out what to do with a $1 trillion surplus.

I know there are some who want the President to be in a position to have the Republican tax bill of $796 billion pass and send it down to him at the White House and have a great ceremony vetoing it.

His argument will be that it is too large; it is too irresponsible; it is wasteful; it is going to cause the economy to go south; we are going to have an increase in interest rates. He is going to make a lot of good, solid political points when he has that veto ceremony.

There are those on the Republican side who I think would love that to happen, in fact, because they will be able to say: No, the President, when he had the opportunity, chose not to give the American people a legitimate tax cut, and he turned his back on the American people.晋 that political argument, and we will take that argument into the election.

The American people outside Washington, in my opinion, have come to the conclusion that they are getting very tired of those types of political positions being taken by Members on both sides of the aisle.

Under the current circumstances, we are headed for a financial train wreck because we are taking positions on both sides of the aisle: It is my way or no way.

I suggest that type of position leads to nothing happening. Sure, we will all at the end of the debate have an argument politically about whose fault it was that nothing was done. Some will say it is the Republicans because they did not want to give a reasonable tax cut to the American people. We will have good political arguments, but we will have no public policy. We will have good political arguments, but we will be arguing about failure and whose fault was it and whose fault it was that nothing was done. We will not have good public policy, which we were all sent here to craft.

It is clear that in a divided government under which we operate, no party can have their way all the time. If both parties take that position, we will end up getting absolutely nothing done.

There are a number of us who have kicked an into the bucket between the $295 billion Democratic proposal and the $796 billion Republican proposal which the President has said he will veto, there has to be some common ground. There has to be a way in which what the opponents are saying is that we both would be able to come to an agreement somewhere in the middle and come up with a figure that is reasonable and gives a good tax credit to the American people and, at the same time, uses some of the surplus money, the $1 trillion, to address the very serious needs and shortfalls we have in discretionary programs, such as veterans, health and education, and has some money in it for paying down the national debt, has money in it for Medicare, which is obviously very important.

There should be a way both sides can come together and say: We don’t have everything we want but, yes, this is good public policy.

I suggest the American people are crying out for us to move in that direction.

I and others have joined in offering an amendment, which we hope to offer tomorrow, which tries to take the approach of: All right, let’s take $500 billion of the $1 trillion and give the American people a good, solid tax cut for those who need it the most, increase the standard deduction for hardworking people, increase the amount that you can earn before you are bracketed, which is 28 percent bracket so people can keep a little bit more of their dollars. Yes, let’s fix the marriage penalty that encourages people, who are two single earners in the same family, not to marry only because of the Tax Code. Yes, let’s do something for education and savings, but let’s keep it at a reasonable figure of $500 billion, and then we can have the other $500 billion for things that are necessary or are needed.

The Political arguments, some 320-odd billion dollars into Medicare. I was privileged to chair the Medicare Commission for a year. I will tell you that no one can tell this Congress how much money we need to fix Medicare. No one can make that assessment today because we have not yet reformed Medicare. How can we go to the American people and say: We need to spend on Medicare until we reform it, which everybody agrees we ought to do?

Yes, ultimately the Roth tax bill will pass the Senate. A similar bill with the same size tax cut has passed in the House. I suggest to our leaders on both sides of the aisle, let’s hold back trying to go to conference. Pass these two bills and hold them in abeyance and let all Members, Republicans and Democrats alike, those in the House and in the Senate, go back to their respective States and respective districts and listen to our constituents and ask them what their priorities are.

Do not look at the polls that Republican and Democratic pollsters take. I can give you the answer when I see the questions they ask. Listen to the people and have town meetings and talk about trying to work together to finish this problem because I think what I think is a real opportunity on what to do with $1 trillion.

I suggest that after we spend that time in August, we then come back to our respective bodies, the House and the Senate, and move quickly, as Senator Roth has said he will do, on reforming Medicare, real Medicare reform, coming up with good suggestions about what we need to do with a system that was first established in 1965 which no longer works as it should.

When we do Medicare reform, we will then know how much more money we need in order to make that program work. When we find out what that number is, we can then combine it with a reasonable tax cut and have enough money for hardworking Americans and yet have enough money for Medicare reform with a good, solid prescription drug package to go along with it, and then come together, join hands for a very rare moment in bipartisan cooperation to do something which I think is in the national interest, so that at the end of this year we will have more than a political issue about whose fault it was that nothing was done. We will be able to go back to our constituents and say that when we had the opportunity to do something to do with $1 trillion, we took that opportunity and came up with good public policy.

I hope many of our colleagues can say: I think the Democratic bill is a little too low in the tax cut, but I also think the Republican bill is a little too much of a good thing; therefore, I want to find a legitimate compromise.

I suggest the word “compromise” is not a dirty word. It is something we should be seeking of an elected body which is called upon to make Government work for everyone.

I hope when we do offer in a bipartisan fashion the $500 billion tax cut
and reserve the other $500 billion for other needs of discretionary spending, to fix Medicare and reform it with pre-
scription drugs, that we could not get a strong degree of bipartisan sup-
port so we can all work together and hope-
fully, sometime in September, we can reach an agreement that makes sense and is good public policy. Good public policy, I think.

The PRESIDING OFFICER. Who yields to him?

Mr. MOYNIHAN. Mr. President, I yield the Senator from North Dakota such time as he requires to express himself fully on the matter of the com-
mittee substitute.

Mr. CONRAD. May I withhold for the moment?

Mr. MOYNIHAN. By all means. I will take the opportunity to make a brief description of the committee sub-
stitute.

The PRESIDING OFFICER. The Sen-
ator from New York.

Mr. MOYNIHAN. Mr. President, it is our view that the roughly $900 billion in projected surpluses for the coming decade can prudently be allocated in thirds: the first to be reserved for Medicare. We are going to have to get to Medicare. If we do not do it in this session, we may do it in the next or the next Congress, but that time is coming. It will require money. It will require general revenues, there is no mistaking that any longer. We think that keeping a third of a billion dollars for that pur-
pose is prudent. In the meantime, it will retire some debt and there will be some interest savings and we will have that money generally understood to be available.

We think another third has to be used to restore what we have come to call discretionary spending. I wish I knew for sure from where that word came. I think Senator Roth would not have produced so devious a term. Is the Marine Corps discretionary? Is the Coast Guard? Do we regard the Bureau of the Census as something we can do without? We did for a while, letting the States do it, but since 1890 we have had one. This is our national Government, and it is not discretionary, save on the margins. Most of these functions have been with us a long time, and we need them.

The present arrangement is for drastic reductions in real dollars for these programs over the next decade. It cannot go on. We have just seen the pain-
ful scene of the House of Representa-
tives providing an emergency appro-
priations for the year 2000 census, as if the census came up like a hurricane or a flood. We have had one every 10 years since 1790. It is not an emergency. It is just that it cannot be met under these caps. So we think a third should be pre-
served for that purpose.

Finally, a third for tax relief, tar-
ged to generally accepted principles that are widely based. We would have $189 billion in broad-based tax relief. That would, most importantly, in-
crease the standard deduction by 60 percent. This would remove more than 3 million taxpayers from the tax rolls and would provide an estimated 9 mil-
ion more to simply take the standard ded-
cution. It is good tax policy. We be-
lieve it certainly is simplification.

We would like to have $27 billion for health care initiatives, including a $1,000 long-term care credit and a 50-
percent deduction for long-term health insurance to make health insurance af-
fordable.

We look forward to $17 billion in edu-
cation initiatives. That would include a large bond program for public school modernization and permanently ex-
tending employer-provided tuition as-
sistance for higher education.

If the Senate would indulge me, this latter provision is important. I have now 23 years in the Finance Com-
mittee, and it seems every other year we recommend extending it instead of making it permanent.

But if ever there was a palpable, de-
monstrably useful program, it is when employers send employees to receive education at various levels, commonly graduate levels, because they want to acquire new skills for which they will be put to work at higher wages, and for which they will pay more taxes, and that virtuous cycle I was talking about this morning will continue. It is unreal we continue to keep it on a short life-
span. But this gives it a much longer period.

Finally, $81 billion in technological and economic development incentives, including an extension of the research credit. These seem, to us, to be widely based. They are equitable, and I hope they will amend themselves to the Sen-
ate.

I see my friend from North Dakota is on the floor, is ready, and I yield him 15 minutes.

Mr. CONRAD addressed the Chair.

The PRESIDING OFFICER. The Sen-
ator from North Dakota.

Mr. CONRAD. I thank the Chair and thank the Senator from New York.

I thought it might be helpful to re-
view the record on how we got to where we are today as we put in context the choices that Senators have to make.

I think it is helpful to go back to 1981, the Reagan administration, and look at what happened to deficits and debt during that period, and compare it to the Bush administration and the Clinton administration, so that we un-
derstand how we got to where we are today and what the implications are for the proposals before us.

If we go back to the Reagan adminis-
tration, I think we all recall the econ-
omic history. We had, then, a major tax cut. The results were clear. The deficits exploded. The debt exploded. Then, in the Bush administration, we saw a further explosion of deficits, until in the last year of the Bush ad-
ministration we reached a budget def-
cit of $290 billion. The national debt had tripled under the Reagan adminis-
tration.

In 1993, we passed a plan, on the Democratic side, without a single vote from the Republican side, a 5-year plan to reduce the deficits and restore our economic health. That plan worked and worked beau-
tifully. We saw reductions in the def-
cit in every year of this plan. We saw in the first year the deficit go down to $255 billion, and then we saw declines in the deficit until we reach surplus.

That is the record of these three ad-
mnistrations.

In 1993, when we passed a 5-year plan that put us on the path to deficit re-
duction, we had increased taxes on the wealthiest 1 percent of taxpayers on in-
come taxes and cut spending. That is how we achieved balance.

If we look at it from another vantage point, debt held by the public, we can see during the 1880s the debt held by the public grew dramatically. It was only after we passed the 1993 5-year plan that debt held by the public started coming down.

In fact, here we are today; we have seen significant progress made on debt held by the public being reduced. If we have the wisdom to stay on this course, we will see further declines in the pub-
licly held debt. In fact, we can be on a course to eliminate the publicly held debt in 15 years.

What have been the results of this economic policy? The results have been a resurgence in our national economic lives—the lowest inflation rate in 33 years, the lowest unemployment rate in 41 years, and we have seen the best economic performance since the John-
son administration back in the 1960s. We can see the rates of growth of var-
ious administrations. In the Clinton administration we see an economic growth rate of nearly 4 percent. We compare that to the Bush administra-
tion, 1.3 percent; 3 percent under Reagan; the Carter administration, and so on. So we have seen a period of sus-
tained economic growth—in fact, the lowest economic expansion in our his-
tory.

In addition to the other positive ben-
efits, we have seen a dramatic reduc-
tion in the welfare caseload. This is largely a result of the economy. It is also a result of the welfare reform pro-
posal that we passed a number of years ago. The percentage on welfare is the lowest in 29 years.

All of this is jeopardized. All of this is jeopardized by the risky, radical, reckless proposal that is before us from our friends on the other side of the aisle. Interestingly enough, the very people who are advocating this pro-
posal said, about the 1993 plan that has
formed the basis of the deficit reduction and the economic resurgence of this country, that that plan would not work.

The distinguished chairman of the Finance Committee said about the 1993 plan: It will flatten the economy.

Senator Gramm of Texas, a member of the Finance Committee, said: We are buying a one-way ticket to recession.

The truth: The economy has reached a new milestone—the longest peace-time expansion on record.

We had a former President who said: Facts are stubborn things. Indeed, they are. The fact is the 1993 5-year plan, that passed without a single vote on the Republican side, reduced the deficit and formed the basis for an economic resurgence in this country.

Our friends on the other side of the aisle, the very ones who are here with a radical, risky plan, were the ones who were wrong about the 1993 plan. In fact, Senator Gramm, who was just speaking, said at the time about the 1993 plan: I want to predict here tonight that if we adopt this bill the American economy is going to get weaker and not stronger, the deficit four years from [now] will be higher than it is today and not lower. ... when all is said and done, people will pay more taxes, the economy will create fewer jobs, Government will spend more money, and the American people will be worse off.

Senator Gramm was wrong on virtually every count.

The fact is, the 1993 plan reduced the deficit and kicked off this extraordinary economic expansion: the lowest unemployment rate in 41 years, the lowest inflation rate in 33 years. The fact is, the very folks who are now advocating this radical, risky plan were wrong in 1993, and not just a little bit wrong; they were dead wrong.

Now, let's check their math. It is fascinating what I have heard on the floor today. Over and over the message is that we have a $3 trillion surplus and we are only using one-quarter of it for tax relief. Let's check that.

The truth is, the total surplus that is projected over the next 10 years is $2.9 trillion, according to the Congressional Budget Office. But what they haven't been saying on the floor is that $1.9 trillion of that, nearly two-thirds, is Social Security surplus. So you have to subtract that. That leaves a surplus of $1 trillion. When you take out the additional interest cost that will accrue, if you are going to give a tax cut of $30 billion, you are left with $870 billion that is available of non-Social Security surplus.

What do our friends on the other side of the aisle want to do with this $870 billion? They say, let's take $800 billion, or nearly that, and give it in a tax cut, a risky tax cut that has the potential to blow a hole in the fiscal discipline we have established—$800 billion of tax cut out of $870 billion that is available. That is not 25 percent, that is 94 percent, 94 percent of the $870 billion of non-Social Security surplus being used for a tax cut—not 25 percent, 94 percent.

It is very interesting, the choices that leaders on both sides of the aisle will make: Do we continue to strengthen Medicare, nothing for domestic needs over the next 10 years, and they have got unallocated $63 billion. Compare that to the Democratic plan that saves every penny of the Social Security surplus for Social Security and then, in equal thirds, one-third for tax relief, $290 billion—$500 billion less than our friends on the other side—$290 billion to strengthen Medicare and protect Medicare, and $290 billion for high-priority domestic needs.

I think it is critically important that people understand when we talk about tax cutting what we are talking about for the next 10 years? This chart shows what happens if we just have constant tax cutting power over the 10 years, which is represented by this blue line. That is constant tax cutting power. Our friends on the other side say the Democrats just want to spend money. Let's look at the Democratic plan.

I have just indicated we want $290 billion for domestic needs. That represents this red line. That is a cut in buying power for the Federal Government from what we now have. If you just take last year's spending and add inflation, that is the blue line, constant tax cutting power.

The Democrats are proposing cutting the buying power of the Federal Government. They are proposing cutting spending.

Here is what our Republican friends are talking about in terms of spending cuts, this green line. This green line means dramatic, radical cuts in education, in defense, in parks, in law enforcement. That is what they are talking about. Does anybody believe this is going to happen? Does anybody believe it? It is not even happening this year.

The Wall Street Journal reported yesterday that they are cooking the books on the Republican side because they want to spend more money and want to act as if they are not breaking the caps. At some point we have to face reality and face facts. Facts are stubborn things.

This blue line is constant buying power. The Democratic plan proposes dramatic, draconian cuts, cuts that cannot be sustained, will not be sustained. In fact, they won't support them for defense, and they shouldn't. They are living with a fiction, and it is a fiction that is being played on the American people and the committees of Congress do their work.

Not only should we check their math but we should check the whole basis for the projections that are being made to sustain a tax cut. Let's remember, the money is not in the bank. The money projected to come in.

I used to be in charge of projecting the revenue for my State of North Dakota. I can tell my colleagues, there is no 10-year projection that anybody can have much confidence.

Robert Samuelson, in today's Washington Post, said: The wonder is that the Republicans are so wedded to a program that is dubious as to both policy and politics. As Federal Reserve Chairman Alan Greenspan noted the other day, tax cuts might some day be justified, but there is no case for big tax cuts based merely on paper projections of budget surpluses.

In fact, he went on to indicate, if there was just a 1-percent change in revenue and expenditure from what is projected, these surpluses would vanish. That is very much in line with what mistakes have been in the past.

This tax cut scheme is not conservative; it is radical. It is risky. It is reckless. It is undermining all of the work we have done to restore the fiscal integrity of this country that has played such a large role in restoring our fiscal health. This is not conservative. It is radical. It is risky. It is reckless. It ought to be stopped.

Now, our friends on the other side of the aisle say tax revenue is the highest it has been in a long time, but they are not telling the whole story. Here is what the revenue and expenditure line of the Federal Government looks like going back to 1980 and carrying through to today.

The blue line is the outlays of the Federal Government, the spending. The red line is the revenues. What we can see is, it has been pretty constant over time. The reason we had a deficit was that the spending line was above the revenue line—pretty basic stuff.

In 1993, when Democrats, without a single Republican vote, passed a plan to balance the budget, we reduced the spending line and we raised the revenue line. That is how we balanced the budget. We cut spending and, yes, we raised income taxes on the wealthiest 1 percent in this country. That is how we balanced the budget. That is how we got the deficit under control. That is how we got the lowest unemployment in 41 years. That is how we had the lowest inflation in 33 years. That is how we got 18 million jobs created. That is how we restored this country to economic health—by cutting spending and raising the revenue to balance the budget.

There is one thing they don't tell us much about because I don't think they want to deal with these facts. They are saying the taxes are the highest they have ever been. The tax revenue is the highest it has been in a considerable period. That is what helped us balance the budget, along with cutting spending. But what they have not talked
about is what has happened to individual taxes. Most individual taxes in this country have gone down. It might surprise you to hear that after all the rhetoric on the other side.

These are not Kent Conrad’s calculations; these are the calculations of the respected accounting firm, Deloitte and Touche. These are the combined tax rates of income, tax, and Social Security taxes. It is very interesting. This is for a working mother, the tax burden, with a family income of just under $20,000 a year. In 1979, their tax rate—

The PRESIDING OFFICER. The Senator’s fifteen minutes have expired.

Mr. MOYNIHAN. Would the Senator like another five minutes?

Mr. CONRAD. I would. I thank the Senator from New York.

It is very interesting; if we study what has happened to the individual tax rates and tax burden of people in this country over 20 years, they have gone down. The Republican rhetoric suggests everybody’s taxes are at record highs. It is not true. It is not true. This is the accounting firm of Deloitte & Touche. They point out that for a working mother with an income of just under $20,000, in 1979, her combined tax rate was 8.6 percent. That has dropped to 5 percent today. Why? Because when the Democrats passed that budget balancing plan in 1993—it is true we raised taxes on the wealthiest 1 percent, but we cut taxes on the vast majority of Americans by expanding the earned-income tax credit.

Look at what happened to a middle-income family earning $35,000 a year. Their taxes have not gone up. They have gone down. Again, this is according to the respected accounting firm of Deloitte & Touche. In 1979, their combined tax rate—income tax and Social Security taxes—was 11.2 percent. That dropped to 10.5 percent in 1999, again, because when the Democrats passed the plan to balance the budget in 1993, it is true we raised taxes on the wealthiest 1 percent, but we cut taxes on the vast majority of Americans by expanding the earned-income tax credit.

Look at a tax burden of a family of four earning $35,000, and look at the last 20 years. Again, their tax burden has been reduced. In 1979, it was 17 percent; it is 16.3 percent today.

Don’t get me wrong. I am not suggesting that people don’t deserve further tax relief. I believe they do. The Democratic proposal provides it. It provides it in a fair and balanced way, in a fiscally responsible way.

That is not the case of the risky, radical scheme of our friends on the other side. Their tax breaks explode in the second 10-year period. We have just stopped that, at least momentarily. But this program that they have outlined would cost $300 billion in tax cuts explodes to $2 trillion, with the additional interest costs that would add another trillion to $3 trillion in the second 10-year period. That is risky. At the very time the baby boomers start to retire, they are going to undermine the fiscal stability of this country.

Those aren’t the only issues that need to be addressed. We have already seen how their tax cut explodes in the outyears, just as the baby boomers retire. But we should also ask ourselves how fair is the tax cut scheme of our friends on the other side.

This shows the House bill that has already passed. Their idea of fairness is to give the top 1 percent of the people in this country 32 percent of the benefit. The top 1 percent get 32 percent of the benefits of the tax cut proposal of the Republicans in the House of Representatives, which has already passed.

So for people earning under $38,000 a year, they would get, on average, $99. If you are earning over $500,000 a year, you get $20,000. That is not fair. That should not be the policy of the United States—a tax cut plan that is skewed to the richest and wealthiest among us, that gives 32 percent of the benefit to the richest 1 percent is not fair. It is not wise. It is radical; it is risky; it is reckless.

There is a better way. The Democratic alternative says save Social Security first—every penny of Social Security surplus for Social Security. And then for the non-Social Security surplus, to split it in equal thirds: one-third to protect Medicare, to extend its solvency, and to provide prescription drug coverage. One-third for tax reductions for working families, targeted squarely at the middle-income people in this country, the very ones who need tax relief; and one-third for high-priority domestic needs such as education, agriculture, defense, and law enforcement.

Again, that $290 billion doesn’t even keep pace with inflation. We are cutting Federal spending, in real terms, in the Democratic plan to balance the budget. I might add that we have more debt reduction than the Republican plan.

Let me make that as a final point. The Democratic plan has over $2 trillion of debt reduction. The Republican plan has just under $2 trillion.

I suggest to my colleagues that the Democratic plan is superior in every way—greater debt reduction, preserving the Social Security surplus for Social Security, preserving and protecting Medicare, providing for our high-priority domestic needs, and, yes, tax relief targeted at those who deserve it the most—not the wealthiest among us, but middle- and lower-income people who richly deserve some tax relief.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. Mr. President, as chairman of the Finance Committee, I stood on this floor for 10 long hours 6 years ago and I thank the Senator from North Dakota for recreating what we did that day and what the consequences have been.

It had been our idea that the Senator from Montana would go next, but we can accommodate.

Mr. ROTH. Mr. President, I yield 15 minutes to the Senator from Iowa.

The PRESIDING OFFICER. The Senator from Iowa is recognized for 15 minutes.

Mr. GRASSLEY. Mr. President, we have a Democrat alternative tax cut that is the weakest, least adventure-some effort to reduce taxes that you could ever expect which will do little good for anybody.

I call upon my colleagues on the other side of the aisle to be bold in trusting the American people with their money, to be bold in letting people keep money in their own pockets to spend. I ask the other side of the aisle to be as bold in tax policy, and to be as interested in the public good as I am in wanting to spend the taxpayers’ money. I would like to have them be as bold in reducing taxes as they are bold in their budget of this year to increase practically every program that has ever been thought of, and even in establishing a lot of new programs to have Washington bureaucrats spend the additional money coming into the Federal Treasury.

They are not very bold when it comes to giving the taxpayers back their money, but they are very bold in saying how Washington can spend that money better than the taxpayers. They are very bold in increasing new programs and very bold, without using the words, but saying, in effect, that we in Washington know better how to spend the taxpayers’ money than the taxpayers do.

How they like to quote Chairman Greenspan because of his respect, but they like it only like what Chairman Greenspan says. We have had an opportunity, as Senators, to hear Chairman Greenspan in so many different forums this year, just since the first of the year, talk about a surplus and what should be done with it. They would like to have you believe the only thing that Chairman Greenspan says is that he is against any tax cuts.

But what he does is give Congress several alternatives. Admittedly, he says that his first choice is to retire debt, in relying the taxpayers, and the other side of the aisle.

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want to spend all of the surplus—the President’s budget not only spends all the surplus, the President’s budget would take $30 billion from Social Security, and they have a $100 billion tax increase as well—with their propensity to spend all of it, and more than the surplus, it should be obvious that the congressional budget plan that is before us by the people on this side of the aisle is aligned very much with Chairman Greenspan’s position.

I wish our friends on the other side of the aisle would speak in the same way when they say that this money is not in the bank, that it is only projected income—when they use that as an excuse that you can’t give people a tax cut—they ought to not project the expenditure of that money as well.

Yet there are those who are radical. They are willing to be risky when projecting expenditure of this money. But somehow it is wrong to give this money back to the people to spend because if the people keep this money in the first place, they don’t send it to Washington, and it is going to create more jobs. It is going to turn many times over in the economy than would otherwise be turned over in the economy if it were turned over by Washington bureaucrats—creating jobs and creating wealth, if the taxpayers spend it, and just being poured down the black, bottomless pit if it is spent in Washington, DC.

We had a chart from the other side of the aisle that said what a great deal has happened since 1993 on reducing the deficit. But what is left out of that equation and that presentation is one of the greatest political revolutions that has come from the grassroots of America in an off-year election in the last 60 years. And that was that the people of this country for the first time in 40 years turned both Houses of Congress over to a Republican majority.

It was that Republican majority was elected that there were dramatic changes in budgeting with the caps, and even with a reduction of taxes in 1997 that brought the changes and the discipline to the Hill—even to the White House as well—that brought us to the place where we are today of talking about surpluses, because in the first 2 years of this administration their own budgets were projecting in the outyear deficits for a long, long time. But all of that was turned around when Republicans took over Congress, and started down the road of bringing surpluses and balancing the budget.

We are here to say that the Democratic tax cut legislation compared to our $792 billion is too puny to do the economic good that ought to be done. It is too puny to return political and economic freedom to the taxpayers of this country because the taxpayers will spend their money more wisely than if it is sent to Washington.

But we are also here to declare victory in the debate over whether we should give tax relief to the American people because they want us to believe with their amendment that they are for a tax cut. They have cut the amount of the tax cut—very small, puny tax cut. The President says now he is for a tax cut.

We have won somewhat of a victory in this year’s debate. The question now is not whether there should be tax relief, but what kind and how much cut—a very small, puny tax cut. The President says now he is for a tax cut.

As a Member of the majority party, I can’t think of a better problem with which to be confronted. With a tax cut plan before us, we are proposing to finally start sending hard-earned dollars out of Washington and back to the taxpayers.

Most of the provisions of this bill are what the people from the grassroots of America have been telling their Congressmen and Senators they want. And, they want done—because we include those things in our bill: addressing the marriage penalty; providing health care tax relief; more help for education, pensions and savings; long-term care; child care; estate tax relief; and, most importantly, tax relief for middle-income taxpayers.

Nearly all of the provisions that I and Senator FEINSTEIN introduced in S. 1160 are included in some form in the bill before us. I commend the chairman for taking the initiative and pushing for Social Security very thoroughly. And, by the way, even some Democrats supported it out of the Finance Committee. The President has only offered modest tax cuts.

This amendment is an example of it. Of course, in the process, as I indicated, he wants to raise taxes $100 billion in other ways in the process of giving a tax cut, because the President of the United States wants it both ways. He wants to be first in for a tax cut on the one hand while he is raising taxes on the other hand.

Of course, he is sending out all of these frantic, hysterical veto threats. He attacked the House bill, playing the class warfare card that he plays so well, saying that it benefited the rich. Of course, he can’t do that with a Senate bill. We saw that was not challenged on this point by people on the other side of the aisle, since 60 percent of the bill before the Senate helps families who are middle class and earning $75,000 or less.

Now the President and his minions are saying $792 billion in tax relief to the American people is too much. He is saying that either they don’t need it—meaning they don’t need the tax decrease—or he might even be saying they don’t deserve it. He says this while asking for billions of dollars in new taxes to pay for even more spending while raiding the Social Security trust fund for $30 billion.

That is right. This President and his budget team raids Social Security to pay for more spending. He does this when taxes as a percentage of the Gross Domestic Product are at an all-time high of around 21 percent. Historically, taxes have been around 18 percent of the Gross Domestic Product over the last 30- to 40-year-period of time. We restore that historical level.

The public at the grassroots has pretty much consented to pay—not every American would agree with that—but over 30 to 40 years, it has been about 18 to 19 percent. But now it is up to 21 percent. We propose that it be more like that historical rate of taxation, as it has been for a long time.

By contrast, the administration, in addition to providing puny tax relief, would have a debt of $200 billion more than what we will have if our budget is adopted.

We also protect Social Security and Medicare.

The congressional budget plan before the Senate provides a blueprint for savings. We are projecting a cumulative surplus of $3.4 trillion. This includes the surplus in the Social Security trust fund as well as the on-budget general fund surplus. Of the $3.4 trillion surplus, Republicans are advocating in this budget saving $1.9 trillion to save Social Security. These are the funds which are estimated to come into the Social Security trust fund from the payroll tax.

Of course, the President of the United States in attacking our budget is dead wrong in saying we put tax cuts before Social Security, because we plan for Social Security very thoroughly. We have been trying to set up a lockbox so no one will be able to get at that money and spend it. However, we have not met with much cooperation from the other side of the aisle on saving Social Security. I have lost track of the number of times that we have had cloture votes on our Republican lockbox proposal. This is truly unfortunate. If we don’t create a Social Security lockbox, we are going to end up spending the money for everything else but Social Security. Even the President has said he is in favor of a lockbox, but his actions fall far short of his rhetoric.

The tax cut we are talking about today is $792 billion. This is less than 25 percent of the total cumulative surplus of $3.4 trillion. A lot of our taxpayers say even $792 is not a bold enough tax cut. It is even less than the $1 trillion that will accumulate on the on-budget surplus. There is money left over, $505 billion to be exact, to take care of problems with the Medicare system and provide additional funds for discretionary spending.

In our budget resolution, we provide $180 billion for increased discretionary spending after the budget caps expire in the year 2002. That still leaves $325 billion to help solve Medicare problems and spending for domestic priorities.

Over the next 10 years the Federal Government will take in nearly $23
trillion in all taxes. That is a lot of money. This bill gives $792 billion back to the American taxpayers. That still leaves $22 trillion in savings that the Government will spend. The tax cut we are talking about is only 3.5 percent, 3.5 pennies out of every $1 coming into the Federal Treasury over the next 10 years. I am a little embarrassed to tell the taxpayers we are only giving a tax cut of 3.5 percent from all the money the Federal Government will take in over the next 10 years. That is three times what the other side of the aisle would return to the taxpayers. The congressional budget plan will save 75 percent of the surplus projected by the CBO over the next 10 years. In contrast, the President saves only 67 percent. The President is proposing a $35 billion tax increase.

We owe it to the American taxpayers to trust us as legislators. There isn’t a day that goes by without us asking for that support from our constituents. Now it seems to me it is time to return trust to the American taxpayers. It is time to trust the American taxpayers with a little bit of their own money—3.5 percent of all the money coming in over the next 10 years.

The latest challenge from the other side of the aisle is reflected in the Democrat substitute before the Senate. I suppose it could be called a tax “scratch” instead of calling it a tax cut because it is that puny. Even a number of Democrats are scoffing at such a weak effort. It is less than $300 billion over 10 years. It does not even have a rate cut for middle-income taxpayers. It does not even get rid of the unfair marriage penalty that affects millions of taxpayers. Compared to our tax bill, it delays the 100-percent de-

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other discretionary spending will be cut by 43 percent by the year 2009. That means a 43-percent cut in veterans’ benefits, a 43-percent cut in Medicare, a 43-percent cut in the Head Start Program, and a 43-percent cut in Social Security. That is necessary because of a 43-percent cut in all these programs because this budget assumes no increase in discretionary spending caps and probably, if we are realistic with ourselves, it means the other side is going to add back in defense. That nets out at a 43-percent cut.

I am not saying we should increase these programs above the baseline, although perhaps in some areas we could. But adding the veterans’ benefit back isn’t it? That means about 1.5 million veterans will be turned away—turned away because of those cuts. It means about 375,000 kids will be out of the Head Start Program, gone—375,000 kids. That is necessary because of a 43-percent cut in all these programs because this budget assumes no increase in discretionary spending caps and probably, if we are realistic with ourselves, it means the other side is going to add back in defense. That nets out at a 43-percent cut.

Let me show another chart. To state it differently, take a dollar bill. This is the line—it is hard to see on this chart—or the tax breaks as a consequence of the bill before us. This is the additional interest payment, which is about $83 billion for everything else, and I have already outlined what the consequences of that are.

The proposal before us is the Democratic alternative. What is it? Basically, we think it is a wiser set of choices. Again, with roughly a $1 trillion surplus that we are debating, that is the additional interest payment, which is about $83 billion for everything else, and I have already outlined what the consequences of that are.

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First, let me emphasize that this bill is a 10-year $792 billion tax cut plan that benefits all Americans, with a focus that targets major tax relief for middle-class families. It is not a tax cut for the rich. It is not an unrealistic level of relief. It significantly reduces taxes for millions of American families and individuals, and it is the biggest tax relief we have ever had since President Ronald Reagan cut taxes dramatically in the early 1980s. I again commend Chairman Roth for his leadership and his commitment to providing major tax relief.

We promised to return to American families the non-Social Security tax overcharges they paid to the Government, and we have fulfilled that solemn promise. The proposed tax relief will immediately ease working Americans' current burden and allow them to keep a little more of their own money and use it on their family priorities—not Washington's, not President Clinton's, but their families' priorities.

This taxpayer relief refund legislation gives middle-class working families at least $450 a year in relief from the tax squeeze. It corrects the injustice of the marriage penalty tax by allowing married couples to file joint returns as if they were single payers of taxes, so 22 million Americans will no longer be penalized simply for the fact they are married.

This legislation also eliminates the alternative minimum tax to permit millions of American families, including farmers, to enjoy the full benefit of tax exemptions and credits such as the $500-per-child tax credit which I championed and the Senate passed back in 1997.

The proposed tax relief includes a reduction in the death tax which will help farmers and small businesses across the country pass on their hard-earned legacies to their children, not to pass it on to the Government but to pass it on to their children and their heirs.

The bill makes health care more affordable for millions of self-employed and uninsured by making their health care costs 100-percent deductible, and it includes my legislation to permit workers without coverage to deduct their health care costs and allows those purchasing long-term-care policies to deduct them as well. These measures will allow more people to obtain health care coverage or improve the coverage they already have.

The bill before us also encourages working Americans to save more for their future by expanding IRAs and providing education tax benefits for parents, for students, and for workers.

There is other tax relief for hard-working families as well. We may have long been overtaxed and millions of middle-class families cannot even make ends meet due to the growing tax burden. Our savings rate in this country this year is a negative because families do not have any money left, especially after paying taxes, to put away. They are doing their best to raise enough of this largest possible tax relief.

Americans today, for example, are paying in my State of Minnesota 42 percent of their hard-earned money on taxes to support Government.

It is hard enough to raise one family without having to raise your Lance Sam at the same time. According to the Government's own data, the average household today pays about $10,000 in Federal income taxes alone. That is twice as much as they paid in Federal taxes in 1985. The total Federal tax will consume 21 percent of the national income. Americans have not paid this much in taxes since World War II.

They say: Oh, Americans aren't overtaxed. But since President Clinton was elected in 1993, the amount that Federal and State consumers of the gross domestic product has gone from 18 percent to 21 percent. So the Government is taking more of what this country produces, and it comes out of the pockets of average working Americans.

In the past few years, Washington's income, in fact, has grown faster than our economy and twice as fast as the income of working Americans. Washington is growing twice as fast as what you are getting in your paychecks. With more middle-income workers being thrown into higher tax brackets, the "middle class tax squeeze" has been devastating.

Millions of middle-income Americans, who have worked hard to get ahead, have been pushed from the 15-percent tax bracket up into the 28-percent tax bracket. Hundreds of thousands of others have been pushed from the 28-percent tax bracket into the 31-percent bracket, and so on. More people working explains the surge of the Social Security surplus because payroll taxes are levied against everyone. So part-time, low-income, minimum-wage earners cannot escape the cruel tax bites.

According to the census report, the income of the average American family has grown—get this—the average income of the American family has grown only 6.3 percent, in constant dollars, between 1999 to 1996—6.3 percent, while Federal tax revenues have increased by nearly 800 percent during the same time. Yet I hear my colleagues on the other side of the aisle say Americans aren't overtaxed; somehow, they are doing fine.

As a result, Americans today are working harder and they are working longer, but they are taking home less money because the Federal Government is taking home more. A larger share of the earned income of working Americans is siphoned off here to Washington, and it isn't available for families to spend on their priorities.
A recent Census Bureau report finds that 49 million hard-working Americans, including 8 million middle-class Americans, live in a household that has trouble paying for just their basic needs.

President Clinton himself at one time—this was down in Texas during a campaign swing in 1986—admitted to a group of contributors, by the way, that Americans were taxed too much. He said: I might have raised taxes too much in 1993. He said: You might think I did. Well, I think I raised them too much, too.

But today he still refuses to refund overpaid taxes to Americans, because he does not think working Americans are “going to spend it right.” President Clinton believes individuals are not capable of making decisions for themselves and discourages government. The only solution, instead, he spends the surplus for Government programs, and he calls meaningful tax relief “fiscally irresponsible.” His priority is not to give tax relief at all. It is “irresponsible” to ease Americans’ tax burdens a little so they can afford basic necessities.

That is the question. Is it irresponsible to even have a family night out once in a while? The family has been, and will continue to be, the bedrock of American society. Strong families make strong communities; strong communities make a very strong America. But 22 million working American couples have been forced to pay $1,400 a year more, on average, in taxes every year simply for choosing to be married. Is it irresponsible to get rid of an unfair tax policy that discourages marriage?

The PRESIDING OFFICER. The Senator has used his 12 minutes.

Mr. GRAMS. I ask unanimous consent for 5 more minutes. Or are we short on time?

The PRESIDING OFFICER. The Senator from Delaware has 28 more minutes.

Mr. ROTH. I yield the Senator 5 more minutes.

Mr. GRAMS. I thank the Senator very much.

So the question I was asking is, Is it irresponsible to get rid of an unfair tax policy that discourages marriage? The President at one time a couple years ago said, yes, this is an unfair tax, but, basically, Washington needs it more than the couple does in order to raise a family.

I have heard many who oppose $792 billion in tax relief support the individual relief included in this package. Just which specific section of the ROTH bill would they throw out? What part of tax relief do they object to most? I would not know which part they would like to get rid of to get down to what they are proposing in tax relief.

Let me further address the issue of so-called “fiscally irresponsible” tax cuts that we hear of so often. “Fiscally irresponsible,” that means, do not give it back to the people who own it, earn it, act, plan, propose it, but give it to Washington. That is “responsible,” I guess.

But in a recent analysis of President Clinton’s midsession proposal, the bipartisan Congressional Budget Office found that our budget plan saves all of the $2 trillion Social Security surplus while the President’s revised plan still spends $300 billion of the Social Security surplus. He cannot get by with just spending surplus; he is going to raise taxes by $90 billion, and he is also going to dip into the Social Security trust fund again.

His original plan spent over $150 billion of the Social Security surplus. Yet we still hear claims that our tax relief is irresponsible. This is the President who is spending the money, raising taxes, and dipping into the Social Security trust fund. Yet we are irresponsible because we want to return to the American people the overcharge in taxes.

The CBO estimates that our plan reduces more debt held by the public than the President’s plan. That is another thing. We do reduce the debt even more than the President’s plan. Ours also produces an additional non-Social Security surplus of nearly $300 billion over the next decade while the President’s plan, again, spends almost all of the on-budget surplus. Do you spend it or do you give it back in tax relief? That is the question. Whose money is it?

The CBO also says the President’s midsession proposal has no net tax cut but, instead, increases taxes by $95 billion. Again, the surplus isn’t enough. He wants to raise taxes another $95 billion over the next decade. This is our projected $3.3 trillion in new and additional spending over the next decade by expanding Government programs or creating new programs.

Just quickly, I will show this chart. This is what we are talking about as to what the President plans to do.

We all agree on saving Social Security, putting every dime from the Social Security surplus into the trust fund, into our lockbox, and not spending that $1 trillion in new and additional spending over the next decade by expanding Government programs or creating new programs. But the President wants to spend all that is remaining and raise taxes by $95 billion more in order to do that.

So contrary to Mr. Clinton’s plan, our budget provides $792 billion in tax relief to working Americans. Meanwhile, we save every penny of the Social Security surplus exclusively for Americans’ retirement. In addition, we set aside over $600 billion for Medicare and Social Security spending needs.

Out of this whole projected surplus, we plan on saving for Social Security, for Medicare, for education, other needs, 75 cents on every dollar of this expected surplus. Only 25 cents on the dollar, one-quarter, would go to tax relief. Somehow, they want to spend the other 75 cents.

Our tax relief takes only a small portion of the total budget surplus. In fact, only 23 cents of every dollar of the budget surplus goes for tax relief.

There is enough to provide this 23 cent of every surplus dollar for tax relief, to protect Social Security and to reform Medicare, including prescription drug coverage from needy seniors. But what I want to stress today is how we spend this $350 billion is not the question before today. It will come at the end of the year when we look at Medicare reform and the final appropriations bills. Today the issue is, can we provide $792 billion in tax relief, and I think we have proved we can with these charts, and the expert advice we received through the budget process.

In fact, you don’t have to be a rocket scientist to figure out who is fiscally irresponsible and who’s fiscally irresponsible.

Contrary to Mr. Clinton’s rhetoric that tax relief will cause recession, cutting taxes will keep our economy strong, will create jobs, increase savings and productivity, forestall a recession and produce more tax revenues.

History has proved that tax cuts work.

In the 1960s, President Kennedy proposed and later President Johnson enacted an individual income tax reduction of an average of 20 percent and reduced the top income tax rate from 91 percent to 70 percent. This tax relief preceded one of the longest economic expansions in U.S. history.

In the 1980s, Ronald Reagan inherited an economy that was deep in recession. Unemployment and inflation sank to double digits, and interest rates hit over 20 percent. Reagan implemented an economic plan that dramatically cut taxes, reduced regulations, and got the economy moving again.

What resulted was nothing short of an economic miracle. Our nation experienced the longest peace-time economic expansion in American history. Over 8 years, 20 million new jobs were created, unemployment sank to record lows, all Americans did better, and in these charts, and the expert advice we received through the budget process.

In the 1990s, many States cut taxes and turned their budget deficits into budget surpluses.

Oklahoma Governor Frank Keating enacted the largest broad-based tax cut in the state’s history; Michigan Governor John Engler enacted 24 tax cuts, reducing state personal income taxes to the lowest level in a generation; New Jersey Governor Whitman cut taxes 6 times, reducing state income taxes by 30 percent. In my own state of Minnesota, Governor Carlson cut taxes and generated a record budget surplus. And Governor Ventura returned the
surplus to Minnesotans in the form of sales tax rebate and across-the-board income tax cuts.

None of these states broke their budgets; instead they produced a robust economy and generated big budget surpluses which allowed them to provide even more tax cuts.

Our neighbor north of the border, in the Province of Ontario, chose to follow New Jersey and cut their income tax by 30 percent in 1995 instead of increasing spending. It generates a very successful economy. This year, Ontario Premier Mike Harris will cut the income tax by another 20 percent. Here is what he says: “the debate is over; tax cuts create jobs.”

Finally, I would like to take a moment to talk again about Social Security, Medicare, and debt reduction.

First, President Clinton agrees with us that shoring up Social Security and Medicare should be our nation’s top priority. But the difference is President Clinton talks about it; and Republicans act on it.

We are determined to achieve these goals. We have locked in every penny of the $1.9 trillion Social Security surplus over the next 10 years, not for government programs, not for tax cuts, but exclusively to protect all Americans’ retirement.

We have been working hard to reform Medicare to ensure it will be there for seniors. Prescriptions drug coverage for the needy will be part of our commitment to seniors to protect their health. Prescription drug coverage for the needy will be part of our commitment to seniors to protect their health.

President Reagan was right.

I remember vividly that when I first proposed the $500 per child tax cut in 1993, the naysayers called it bad policy, even “dangerous.” Democrats accused us of cutting taxes for the rich. Sound familiar? Some in Congress contended it was too costly, and others argued that we should balance the budget first. I argued repeatedly that we could and should do both. And so we did. As a result, now we have a balanced budget, and the largest surplus in U.S. history.

Cutting taxes, reducing the national debt, and reforming and protecting Social Security and Medicare at the same time are all possible. We can do it. We must do it again.

I urge my colleagues to defeat this amendment and support the $792 billion in tax relief in the Taxpayer Refund Act.

I thank the Chair. I yield the floor.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I yield 10 minutes to my colleague from Nevada who is on the Finance Committee.

The PRESIDING OFFICER. The Senator from Nevada is recognized for 10 minutes.

Mr. BRYAN. I thank the Senator from New York and the Chair.

Mr. President, I came to the Senate as a new Member in January 1989, at the end of the decade of the 1980s. The fiscal policies the Federal Government pursued during the 1980s resulted in a Federal budget that was awash in red ink.

At the beginning of the 1980s, the end of the national debt—from the time of the ratification of the Constitution up until 1980—was less than $1 trillion. That included the assumption of the Revolutionary War debt, financing a war that was fought in the colonies. With respect to that surplus, there is no disagreement. That should be set aside to protect Social Security.

There are many, Democrats and Republicans alike across the land, who give Alan Greenspan a substantial measure of credit for the reversals in our fortunes at the Federal level in terms of the situation we find ourselves in today, where we are talking about projected surpluses and not projected deficits. I was privileged to have an opportunity to ask him a question.

I said: Mr. Chairman—directed to Mr. Greenspan—gave our current economic circumstances, if we had three choices, what choice would you make: Choice No. 1, a substantial tax cut; Choice No. 2, additional spending; Choice No. 3, reducing the debt? His answer, unequivocal: Reduce the debt. That, he said, would be the most important thing this Congress could do in fiscal policy to continue the extension of the longest economic expansion in our Nation’s history. That comes from Chairman Greenspan.

Now, under the Republican proposal before us, $961 billion is the on-budget surplus. Their proposal would be to reduce taxes by $792 billion.
I understand the instant gratification and I understand that if in a roomful of good and hard-working Americans you told them, when you told them to pay less tax, all of us would say yes. Perhaps it is because my wife and I are entering a new period in our lives—we are blessed with three adult children, two of whom have blessed us with grandchildren and a third to bless us with a grandchild to be in a couple of weeks—that my thoughts are not with respect to instant gratification, not the kind of political rhetoric “we want to return your money to you.” What is the responsible thing to do for the country? What about my grandchildren and your grandchildren? Ought we not to think about them? Our generation doesn’t have a particularly impressive track record running up a national debt that is tripled in less than a decade. The Republican plan would reduce taxes by $792 billion, would cost $141 billion of additional interest, and would result in a surplus remaining over the 10-year period of $32 billion. This surplus that is projected over 10 years is on a very shaky foundation.

I also was able to ask Mr. Greenspan to talk about projections. I said to him: Is it not true, Mr. Chairman, that not even the most able economists—distinguished graduates of the Wharton School of Finance, the Harvard Business School, the Stanford Business School, the most erudite institutions in America—isn’t it true that no one can tell us what the economy is going to be like next year, much less what it is going to be like a decade from now? He opined that that was in fact the case.

So this policy is built upon a house of cards. We are not sure these surpluses will, in fact, materialize. Yet we build in to our legislative actions a $700 billion tax cut. That is because you all in Congress spent recklessly, foolishly, and irresponsibly.

I was not a part of the Congress at that time. I will not defend all of the expenditures. But I will tell Senators this: If you add what President Reagan requested the Congress to spend in the 8 years he was President and you add up the appropriations that the Congress approved during those 8 years, some of those with a Republican majority in the Congress, you will find the $700 billion. President Reagan approved $13 billion less, $13 billion less than President Reagan requested. So whether you went to school, as I did, with the old math or the new math, those kinds of tax cuts left us with deficits in the trillions of dollars.

Mr. President, it is difficult to know a distinguished leader if he would extend me another 5 minutes; is that possible?

Mr. MOYNIHAN. Another 5 minutes for my friend from Nevada.

The PRESIDING OFFICER (Mr. HAGEL). The time for Senator from Nevada is recognized for 5 minutes.

Mr. BRYAN. Mr. President, there are several assumptions that our Republican colleagues make in reaching the conclusion of a $792 billion tax cut, $141 billion in interest, leaving a $32 billion surplus to take care of Medicare, other priorities, including reducing the debt. It is a very shaky assumption. Mr. Greenspan also told us this morning that history teaches us to be cautious. This surplus may never materialize. No one can predict with certainty whether it will occur or not.

Implicit in this are some other assumptions that are totally unrealistic. One of those assumptions is we will be able to reduce discretionary spending by $700 billion over the next 10 years. Now, there are more people in America who believe there will be a sighting of Elvis than believe that we are going to reduce discretionary spending by $700 billion. We are talking about such programs as veterans’ health, education, what we need to do for agriculture, and any kind of emergencies that might occur as a result of natural calamities or disasters. So the assumption that we can reduce spending by $700 billion in the discretionary accounts, also including national defense, is not realistic.

Indeed, that is premised also upon the spending caps that are in place—next year and the year after it will be even tighter—that we will be able to adhere to. Mr. Greenspan, as chairman of the Banking Committee, as part of his questioning to Mr. Greenspan, indicated that in the House already this year they are talking about emergency spending, which is a vehicle to avoid the spending caps and, in point of fact, is not emergency spending at all—$3.3 billion or $4.5 billion for the census, $3 billion for veterans’ health, $30 billion this year alone. That wipes this out.

The point I am trying to make is this is a highly reckless and irresponsible approach. What we ought to do is protect Social Security with the $1.9 trillion surplus, and there is agreement on that. Next, we need to shore up Social Security solvency, pay down that debt, reduce the amount of money we are paying on interest on the national debt, so that we can do some other things with the additional tax cuts or selective spending in terms of veterans’ health, or education, or national defense, whatever we determine the priorities may be, and then a more modest tax cut.

The Democratic alternative, I think, comes pretty close to hitting the mark: Tax cuts of $290 billion. Medicare cuts of $200 billion, domestic needs of $290 billion—that reduces spending in real terms of the next 10 years by about $300 billion—and interest, $126 billion. That is a more responsible approach.

I hope we do not revisit the mistakes of the past. Chairman Greenspan, it seems to me, had a lot of wisdom to offer. History teaches us to be cautious. These surpluses may, indeed, never occur and, indeed, if we can pay down the national debt, would we not be doing something for our children and our grandchildren that is the responsible course of action, something we can all be proud of, and provide a reduction in the interest payments we make each year, which is about $230 billion?

I thank the Chair and yield the floor.

The PRESIDING OFFICER. The Senator from Nevada?

Mr. LOTT. Mr. President, I ask unanimous consent that Senator ABRAHAM be recognized for 5 minutes and Senator GRAMM be recognized for 5 minutes.

Mr. MOYNIHAN. Without objection, the next Democratic first-degree amendments be in the following order:

Mr. LOTT. Therefore, the next vote in regard to the Democratic alternative is scheduled to occur at approximately 6:30 or 6:35 this evening. It will be the last vote of the evening. The
lockbox issue and the Baucus amendment will be debated this evening, with those three votes occurring in the stack sequence at 9:30 on Thursday morning.

As a reminder to Members, a late session is expected Thursday, and votes are expected to occur on Friday, since it appears it may not be possible to finish Thursday night.

I reiterate my commitment that if we find a way to finish the votes on this issue Thursday night, we will not have a session on Friday. If that is not possible, we will go into session Friday and continue voting as is necessary in order to complete this reconciliation tax relief bill.

I yield the floor.

Mr. ROTH. Mr. President, I yield 14 minutes to the Senator from Florida.

The PRESIDING OFFICER. The Senator from Florida is recognized for 14 minutes.

Mr. MACK. Mr. President, although I agree with many of the specific provisions in the Democrat alternative tax package, a few bills that have introduced—I must rise in opposition to this amendment. The plain fact is that the tax cut offered is just too small. We have budget instructions to cut taxes by $792 billion over the next 10 years, and we should cut taxes by $792 billion.

I am glad I have this opportunity to talk about tax cuts, one of my favorite subjects.

We are in the midst of what should be a very easy task: reducing the tax burden on our citizens by $792 billion over the next ten years. After all, over the next decade, the federal government is on track to collect over $3 trillion dollars more than we have budgeted for spending.

In other words, we will be overcharging the taxpayers by $3 trillion. You would think that the suggestion to return to the taxpayers a mere 25 percent of these overpayments would not be controversial. But we have heard, over the past few months, the defenders of the status quo, the advocates of big government, raise their voices in criticism of our tax cut goal.

These critics say that tax cuts are not needed, that taxpayers do not deserve more of their hard-earned money. It has even been suggested that the tax burden on our families has been falling. Well, the facts could not be any clearer: the federal government will tax away 20.6 percent of our nation’s gross domestic product this year. That is an all-time, peacetime record, a level that was only exceeded when we mobilized to win World War II.

But even though the tax burden is a record high, even though we will be overcharging the taxpayers by $3 trillion over the next decade, every excuse under the sun is being raised against tax cuts. Some of these arguments are contradictory, and all are wrong.

Some argue, from a Keynesian demand-side perspective, that tax cuts will overstimulate the economy. But even a $792 billion tax cut, the federal government will run up over $2 trillion in surpluses over the next ten years—from a Keynesian viewpoint, $2 trillion in surpluses is not considered a stimulus. And with all of the lags, and the phase-in, the bulk of the tax cuts will not arrive until years 2007, 2008, and 2009.

Can anyone seriously suggest that, in a $9 trillion economy, a $1 billion net tax cut for fiscal year 2006 will overstimulate consumer demand? Or even a $25 billion tax cut in 2001? Would a $39 billion tax cut in 2002 overheat the economy, when this is only .004 percent of projected GDP?

Clearly, the facts do not support the argument that our tax cuts will overheat the economy. In any event, from the demand-side perspective, the tax cut would be irrelevant. If we do not cut taxes by $792 billion, it is safe to say that spending will increase by $792 billion, but spending by the government, that is. That is what President Clinton means when he says we cannot afford a tax cut—he’s bureaucrats are working overtime to dream up new ways to spend the money, as if the government has first claims to the fruits of our citizens’ labor.

What kind of spending initiatives can we expect? A few years back, as many of us recall, President Clinton’s so-called stimulus package included spending on such urgent needs as building parking garages at the beach, refurbishing tennis courts, researching the sicklefin chub fish, renovating swimming pools, building golf courses, soccer fields, and softball diamonds, and constructing an ice skating warming hut.

Now, the President is not the only source of such wasteful spending ideas—we in Congress are very susceptible to pressures to spend, spend, spend. But no one here doubts for a minute that if the $792 billion in taxes are instead brought to Washington, the money will all be spent. That is one very good reason why we must keep the money out of Washington in the first place.

The argument is also raised that a $792 billion tax cut leaves no money to meet some other important government goals such as debt reduction. But we still have $1.9 trillion in social security surplus that will be in a “lockbox” to retire debt and shore up our citizens’ retirement security, and another $505 billion in non-social security surpluses that can be used for Medicare, National Defense, and our other priorities. It is my hope that these surpluses will be used for real priorities, not the ice skating warming huts and beach parking garages. It should be clear that this half-trillion dollars is more than enough to cover our priorities.

The real argument against our policy of a $792 billion tax cut is a misconception. Some people argue that the money is needed to retire publicly-held debt—although, after the tax cut, the remaining 75% of the surplus is available for debt reduction. Even with our tax cut, publicly-held national debt will be reduced from 40% of GDP to just 12% of GDP by 2009.

Other people argue that the Federal Reserve Board would react to the tax cut by tightening the money supply. I have already noted that the very small size of the tax cuts over the next two years—just .0015% of GDP—does not add up to a dramatic increase in consumer demand and, in fact, will not increase demand since government spending would have increased by that same amount were we to collect the taxes. And I will point out that, on many occasion, including today, Fed Chairman Alan Greenspan has stated that he believes that government spending is the worst possible use of the surpluses, and that he would support tax cuts if spending is the alternative. Furthermore, a tax cut that removes government barriers to savings and investment is not an “artificial stimulus” that should worry the Fed one bit. Inflation, after all, is caused by too many dollars chasing too few goods, not by too many investors creating wealth and opportunity. An even stronger economy, fueled by the freedom and enthusiasm of our entrepreneurs, is not something to fear.

It is even argued that a sizable tax cut passed now makes a future economic downturn more hazardous, as if the tax cuts needed for an economic rebound will have already been wasted by our efforts this year. Of course, that argument makes the case for tax cuts, as any tax cuts that would succeed in getting us out of one would keep us out of one in the first place. That is why former Fed Governor Lawrence Lindsey considers a tax cut a good insurance policy against an economic downturn.

When you consider all of the arguments, there really is no case against cutting taxes by at least $792 billion. Chairman Roth is to be commended for sticking to his guns and reporting out of Committee a bill that cuts taxes by that full amount, despite all of the pressure exerted by all of the advocates of big government, who would rather spend the money.

One final point I want to make is that these abstract discussions tend to obscure the real reason we are here. Tax cuts are not about numbers, they aren’t about aggregate supply, they aren’t about increasing demand by 4 thousandths of a percentage point—tax cuts are about people. We are cutting taxes because of the 67-year-old owner
of a family business in Florida’s panhandle, who is discouraged from reinvesting his hard-earned profits because the specter of the federal death tax is hovering, waiting to swoop down and scoop up 55% of the increased value of his business. We are cutting taxes because of the two-earner family, struggling to make ends meet, that has to pay over $1,000 extra in taxes just because they are married.

We are cutting taxes so that waitresses, truck drivers, teachers and carpenters can put an extra $1,000 in their IRAs each year, to build a better nest egg for retirement. We are cutting taxes to enable a biomedical company to pursue their own dream—not Washington’s.

I thank the Chair. I yield whatever time I did not use.

The PRESIDING OFFICER. Who seeks recognition?

Mr. MOYNIHAN. Mr. President, I yield any time remaining on our side.

Mr. ROTH. Mr. President, I yield the remainder of my time.

Mr. MOYNIHAN. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New York. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative assistant called the roll.

Mr. NICKLES. I announce that the Senator from Ohio (Mr. VOINOVICH) is necessarily absent.

The result was announced—yeas 39, nays 60, as follows:

[Rollcall Vote No. 226 Leg.]

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which are statutorily capped. Under current law, CBO estimates that estimates that the measure would would reduce the amounts flowing to the state funds. CBO assumes that the year following each lower transfer, states would respond by not lowering their unemployment taxes so that their trust fund balances would remain constant.

The bill would lower the amount of revenues directed into the federal trust funds and thus would reduce the amounts flowing to the state funds. CBO assumes that in the year following each lower transfer, states would respond by not lowering their unemployment taxes as much as they would have, thus increasing revenues relative to current law. CBO estimates that the measure would reduce governmental receipts by $1.029 billion in fiscal year 2005 and by lesser amounts in 2006 and 2007. We estimate increases in receipts in fiscal years 2008 and 2009. Over the 2005-2009 period, CBO estimates that the measure would have no net impact on govern- ment receivables.

IRS User Fees. The bill would adjust and extend the authority of the IRS to charge taxpayers fees for certain rulings by the Office of the Chief Counsel and by the Office for Employee Plans and Exempt Organizations. The bill would eliminate the fee the IRS currently charges on determination letter requests regarding new small business pension plans beginning on December 31, 2000. The bill also would extend for six years beyond its current expiration date of September 30, 2003, the au- thority of the IRS to charge taxpayers fees for certain rulings. CBO estimates that the adjustment and extension of IRS fees would increase governmental receipts by $42 million over fiscal years 2001 through 2004 and by $323 million during the 2001-2009 period, net of income and payroll tax offsets. CBO based its estimate on recent collections data and on information from the IRS.

Federal spending

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National Vaccine Injury Compensation Fund and Medicaid. The bill would add conjugate vaccines against streptococcus pneumoniae to the list of vaccineable vaccines for purposes of the National Vaccine Injury Compensation Trust Fund. CBO estimates that this provision would increase outlays by $4 million over the 2000-2004 period. This provision would also increase federal Medicaid outlays by $21 million over the 2000-2004 period because Medicaid would pay the cost of vaccine purchased by the state funds. CBO estimates that this measure would have no net impact on government receipts or outlays.
Estimated impact on State, local, and tribal governments: As determined by JCT, the provision that would add Streptococcus pneumoniae to the list of vaccine-preventable diseases under an intergovernmental mandate would not exceed the threshold established in UMRA ($50 million in fiscal year 1996, adjusted for inflation). Sections of the bill reviewed by CBG regarding pension plans and IRS user fees contain no intergovernmental mandates as defined in UMRA. The section that would move the expiration date of the federal unemployment tax back three years would have implications for state unemployment compensation programs as noted above. Estimated impact on the private sector: JCT has determined that 16 provisions in the bill contain private sector mandates. The private-sector mandates in the bill would:

- Add certain vaccines against Streptococcus pneumoniae to the list of taxable vaccines.
- Impose a 10 percent value or sale tax for real estate investment trusts (REITs).
- Change the treatment of income and services provided by taxable subsidiaries of REITs.
- Modify foreign tax credit carryover rules.
- Require reporting of information regarding cancellation of indebtedness by nonbank financial institutions.
- Limit the use of the nonaccrual experience method of accounting to the amounts to be received for the performance of qualified professional services.
- Impose a limitation on refunding of certain employee benefits.
- Roll back the installment method for most taxpayers using the accrual basis.
- Prevent deferral of ordinary income or short-term capital gains into income eligible for long-term capital gain rates.
- Deny the deduction and impose an excise tax with respect to charitable split-dollar life insurance programs.
- Modify the estimated tax rules of closely held REITs.
- Modify anti-abuse rules related to the assumption of liabilities.
- Require consistent treatment and provide a basis allocation rules for transfers of intangibles in certain nonrecognition transactions.
- Modify the treatment of certain closely held REITs.
- Provide for a basis reduction to assets of a corporation, if stock in that corporation is distributed by a partnership to a corporate partner.

JCT estimates that the cost of the private-sector mandates would exceed the threshold established in UMRA ($100 million in fiscal year 1996, adjusted for inflation) in each of the fiscal years 2000–2004.**

**ESTIMATED COST OF PRIVATE-SECTOR MANDATES**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
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<tbody>
<tr>
<td>Cost of the Private Sector</td>
<td>$2,101,631</td>
<td>$1,701,370</td>
<td>$1,987,878</td>
<td>$1,608,714</td>
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<td></td>
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</tbody>
</table>

Source: Joint Committee on Taxation.

*Estimate prepared by: Federal Revenues: Hester Grippando (for IRS fees) and Noah Meyerson (for FUTA), Federal Spending: Tami Ohler (for pensions), Jeann De Sa (for National Vaccine Injury Compensation Fund and Medicaid), and John Righter (for IRS fees).

Estimated approved by: Robert A. Sunshine, Deputy Assistant Director for Budget Analysis, G. Thomas Woodward, Assistant Director for Tax Analysis.

**AMENDMENT NO. 1397**

(Purpose: To provide educational opportunities for disadvantaged children, and for other purposes)

Mr. BAUCUS. Withdrawn.

Mr. MCCAIN. Mr. President, I ask unanimous consent that the amendment be dispensed with.

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

The text of the amendment is printed in today’s RECORD under “Amendments Submitted.”

Mr. MCCAIN. Mr. President, as per the agreement with the Senator from Delaware, I will ask unanimous consent that the amendment be laid aside as soon as I use my 5 minutes.

Mr. BAUCUS. Withdraw.

Mr. MCCAIN. Not withdrawn, set aside.

Mr. BAUCUS. Mr. President, reserving the right to object, this is not what I understood the procedure was going to be. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MCCAIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Arizona.

Mr. MCCAIN. Mr. President, I was made clear by the Senator from Montana and the Senator from Delaware that I will withdraw the amendment for speeches on 5 minutes on it, with the full understanding that there will be a vote on this at the proper time, as amendments are voted on probably to the nature of the amendment.

Mr. BAUCUS. Reserving the right to object, do you understand from the Senator from Arizona that he will offer his amendment then at a later time?

Mr. MCCAIN. I have 5 minutes. I want to use the 5 minutes to talk about it. The Senator from Delaware told me the time tomorrow will be taken up, so I will be back with you tonight. In previous years, I have ended up in the position where at 2 a.m. I can speak for 1 minute and the other person can speak for 1 minute. At least now I have 5 minutes.

Mr. BAUCUS. Will the Senator inform us as to the nature of the amendment?

Mr. MCCAIN. That is why I asked for 5 minutes, so I can tell the Senator the nature of the amendment.

Mr. BAUCUS. No objection.

Mr. MCCAIN. Mr. President, today I am proposing an amendment to authorize a three-year nationwide school choice demonstration program targeted at children from economically disadvantaged families. The program would provide additional educational opportunities for low-income children by providing parents and students the freedom to choose the best school for their unique academic needs, while encouraging schools to be creative and responsive to the needs of all students.

The amendment authorizes $1.8 billion annually for fiscal years 2001 through 2003 to be used to provide school choice vouchers to economically disadvantaged children through the Nation. The funds would be divided among the States based upon the number of children they have enrolled in public schools. Then, each State would conduct a lottery among low-income children who attend the public schools with the lowest academic performance in their State. Each child selected in the lottery would receive $2,000 per year for three years to be used to pay tuition at any school of their choice in the State, including private or religious schools. The money could also be used to pay for transportation to the school or supplementary educational services to meet the unique needs of the individual student.

In total, the amendment authorizes $5.4 billion for the three-year school choice demonstration program, as well as a GAO evaluation of the program upon its completion. The cost of this important test of school vouchers is fully offset by eliminating more than $5.4 billion in unnecessary and inequitable corporate tax loopholes which benefit the ethanol, sugar, gas, and oil industries.

First, the amendment eliminates tax credits for ethanol producers, eliminating a $1.5 billion subsidy. Ethanol is an inefficient, expensive fuel that has not lived up to claims that it would reduce reliance on foreign oil or reduce impacts on the environment. It takes more energy to produce a gallon of ethanol than the amount of energy that gallon of ethanol contains. Ethanol tax credits are simply a subsidy for corn producers, and the amendment ends the taxpayers’ support for this outdated program.
Second, the amendment eliminates three subsidies enjoyed by the oil and gas industry, totaling $3.9 billion. It phases out the industry's special right to fully deduct capital costs for drilling, exploration and development; eliminates the 15% tax credit for recovering oil using particular methods and ends special right of oil and gas property owners to claim unlimited passive losses under income and alternative minimum tax provisions. Subsidizing the cost of domestic production has not been shown to have reduced reliance on foreign oil or directly contributed to more efficient resource use or domestic productivity. The amendment ends these special tax treatments.

Finally, the amendment eliminates the special loan program for sugar producers, which provides $2.2 billion to the sugar industry. The Federal Government is burdened with an unnecessary and unprofitable loan program for big sugar producers and enforcing mandated import quotas on foreign sugar. Sugar price supports also force consumers to pay $1.1 billion every year in artificially inflated sugar prices. The amendment simply eliminates the taxpayer-funded loan program in 2003 and immediately requires repayment of existing loans in cash, rather than sugar.

These tax benefits and subsidies were originally intended to serve a limited purpose during times of economic recession and hardship in the 1970s. Our economy has long since recovered and I believe that these subsidies have outlived their purpose. The sunset of these programs will end these corporate welfare programs and return any remaining benefit back to our nation’s children.

Mr. President, we all know that one of the most important issues facing our nation is the education of our children. Providing a solid, quality education for each and every child in our Nation is a critical component in their quest for personal success and fulfillment, as well as the success of our nation: economically, intellectually, civically and morally.

We must strive to develop and implement initiatives which strengthen and improve our education system thereby ensuring that our children are provided the highest quality education for their children, not just the wealthy. Tuition vouchers would provide low-income children trapped in mediocrity, or worse, schools the same educational choices as children of economic privilege.

It is shameful that we are failing to provide many of our children with adequate training and quality academic preparation for the real world. The number of college freshmen who require remedial courses in reading, writing, and mathematics when they begin their higher education is unacceptably high. In fact, presently, more than 30 percent of entering freshmen need to enroll in one or more remedial course when they start college. It does not bode well for our future economy if the majority of students are not prepared with the basic skills to engage in a competitive global marketplace.

I concede that school vouchers are not the magic bullet for eradicating all that is wrong with our current educational system, but they are an important opportunity for providing improved academic opportunities for all children, not just the wealthy. Examination of the limited voucher programs scattered around our country reveals increased parental satisfaction, an increase in parental involvement, and a definite improvement in attendance and discipline at the participating schools. Vouchers encourage public and private schools, communities and parents to all work together to raise the level of education for all students. Today, we have the opportunity to replicate these important attributes throughout all of our Nation’s communities.

Thomas Jefferson said, “The purpose of education is to create young citizens with knowing heads and loving hearts.” If we fail to give our children the education they need to nurture their heads and hearts, then we threaten their futures and the future of our nation. Each of us is responsible for ensuring that the love and knowledge we live up to the promise that many of us believe is there as a result of giving parents a choice, the same that wealthy parents have in this country.

I hope my colleagues will consider this. It is time we got rid of wasteful and unnecessary subsidies. It is time we get rid of an outmoded program to find out if vouchers, indeed, will live up to the promise that many of us believe there is as a result of giving parents a choice, the same that wealthy parents have in this country.

AMENDMENT NO. 1397, WITHDRAW
Mr. President, I thank the Senator from Delaware and the Senator from Montana, and I ask unanimous consent that the amendment be withdrawn.

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

Mr. McCAIN. I yield the remainder of my time.

The PRESIDENT OF THE SENATE. The Senator from Michigan [Mr. ABRAHAM] is recognized.

AMENDMENT NO. 1398
(Purpose: To preserve and protect the surpluses of the social security trust funds by reaffirming the exclusion of receipts and disbursement from the budget, by setting a limit on the debt held by the public, and by amending the Congressional Budget Act of 1974 to provide a process to reduce the limit on the debt held by the public.)

Mr. ABRAHAM. Mr. President, under the unanimous consent agreement which was agreed to earlier, I now send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Michigan [Mr. ABRAHAM] for himself, Mr. DOMENICI, Mr. ASHcroft, Mr. CRAPO, Mr. ENZI, Mr. SANTORUM, Mr. GAMS, Mr. ALLARD, Mr. Paist, and Mr. COYERDEL, proposes an amendment numbered 1398.

Mr. ABRAHAM. I ask unanimous consent reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today’s RECORD under “Amendments Submitted.”)

Mr. ABRAHAM. I believe under the previous order we will now set that amendment aside so that the Senator from Montana may be recognized to offer an amendment.

The PRESIDING OFFICER. The amendment is set aside.
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The Senator from Montana is recognized.

MOTION TO RECOMMIT WITH INSTRUCTIONS
Mr. BAUCUS. Mr. President, I send an amendment to the desk and ask unanimous consent that Senators CONRAD and HARKIN be added as co-sponsors.

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

The clerk will report.

The legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS] moves to recommit S. 1429 to the Committee on Finance, with instructions to report back within 3 days, with an amendment to reduce the tax breaks in the bill by an amount sufficient to allow one hundred percent of the Social Security surplus in each year to be locked away for Social Security, and one-third of the non-Social Security surplus in each year to be locked away for Medicare with an amendment.

Mr. BAUCUS. I ask unanimous consent reading of the amendment be dispensed with.

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

The amendment as follows:

TITLE—SOCIAL SECURITY AND MEDICARE SAFE DEPOSIT BOX ACT OF 1999
SEC. 01. SHORT TITLE.
This title may be cited as the “Social Security and Medicare Safe Deposit Box Act of 1999.”

Subtitle A—Social Security
SEC. 11. PROTECTION OF SOCIAL SECURITY SURPLUSES.
(a) POINTS OF ORDER TO PROTECT SOCIAL SECURITY SURPLUSES.—Section 312 of the Congressional Budget Act of 1974 is amended by adding at the end the following new subsection:

“(c) Points of Order to Protect Social Security Surpluses.—

‘‘(1) Concurrent Resolutions on the Budget.—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report thereon or amendment thereto, which would set forth an on-budget deficit for any fiscal year.

‘‘(2) Subsequent Legislation.—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report if—

‘‘(A) Points of Order to Protect Social Security Surpluses.—

‘‘(i) if outlays for programs subject to discretionary spending limits, such outlays shall be projected at the level of any applicable current adjusted statutory discretionary spending limits; and

‘‘(ii) if outlays for programs subject to discretionary appropriations are not subject to discretionary spending limits, such outlays shall be projected as required by section 257 beginning in the first fiscal year following the last fiscal year in which such limits applied.’’.

(b) Content of Concurrent Resolution on the Budget.—Section 301(a) of the Congressional Budget Act of 1974 is amended by redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively, and by inserting after paragraph (5) the following new paragraph:

“(6) the receipts, outlays, and surplus or deficit in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, established by title II of the Social Security Act;”.

Subtitle B—Medicare
SEC. 21. DEFINITIONS.
Section 301 of the Congressional Budget Act of 1974 is amended by adding at the end the following:

“(1) The term ‘Medicare surplus reserve’ means the surplus amounts reserved to strengthen and preserve the Medicare program as calculated in accordance with section 316.”.

SEC. 22. MEDICARE SURPLUS RESERVE POINT OF ORDER.
Section 301 of the Congressional Budget Act of 1974 is amended by adding at the end the following:

“(J) Medicare Surplus Reserve Point of Order.—It shall not be in order in the Senate to consider any concurrent resolution on the budget (or amendment, motion, or conference report on the resolution) that would decrease the surplus in any of the fiscal years covered by the concurrent resolution below the levels of the Medicare surplus reserve for those fiscal years calculated in accordance with section 316.”.

SEC. 23. ENFORCEMENT OF MEDICARE SURPLUS RESERVE.
Section 311(a) of the Congressional Budget Act of 1974 is amended by adding at the end the following:

“(4) Enforcement of the Medicare Surplus Reserve.—

‘‘(A) In General.—If a concurrent resolution on the budget has been agreed to, it shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report on the resolution that would decrease the surplus or the Medicare surplus reserve in any fiscal year below the level of the Medicare surplus reserve calculated in accordance with section 316.

‘‘(B) Inapplicability.—This paragraph shall not apply to legislation that—

‘‘(i) appropriates new subsidies for prescription drug benefits under the Medicare program as part of or subsequent to legislation significantly increasing outlays; or

‘‘(ii) appropriates new subsidies from the general fund to the Medicare Hospital Insurance Trust Fund; or

‘‘(iii) appropriates new subsidies from the general fund to the Medicare Hospital Insurance Trust Fund;

‘‘(C) Scorekeeping Directive.—In scoring legislation for purposes of enforcing the point of order established by this paragraph, only the costs of the new prescription drug benefits and any associated interest costs shall be exempted from triggering the point of order.”

SEC. 24. MEDICARE SURPLUS RESERVE.
Title III of the Congressional Budget Act of 1974 is amended by adding at the end the following:

“SEC. 316. MEDICARE SURPLUS RESERVE.
‘‘The amounts reserved for the Medicare surplus reserve in each year are—

‘‘(1) for fiscal year 2000, 33 percent of any on-budget surplus for fiscal year 2000, as estimated pursuant to section 211 of H. Con. Res. 88 (106th Congress); and

‘‘(2) for each of the fiscal years 2001 through 2014, 33 percent of any on-budget surplus for fiscal year 2000, as estimated pursuant to section 211 of the Congressional Budget Office for that fiscal year in its initial report for that fiscal year pursuant to section 220.”

SEC. 25. PAY-AS-YOU-GO EXTENSION.
Section 252(a) and section 252(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 are amended by striking “before October 1, 2001” and inserting “before October 1, 2002.”

SEC. 26. SUPERMAJORITY.
(a) POINT OF ORDER.—Subsections (c)(1) and (d)(2) of section 904 of the Congressional Budget Act of 1974 are amended by inserting after “310(d)(2)” the following: “312(g).”

(b) WAIVER.—Subsections (c)(2) and (d)(3) of section 904 of the Congressional Budget Act of 1974 are amended by inserting after “301(1)” the following: “301(1),”.

SEC. 27. ADJUSTMENT OF BUDGET LEVELS AND REPEAL.
Upon the enactment of this subtitle, the Chairmen of the Committees on the Budget shall file with their Houses appropriately revised budget levels (including reconciliation levels) under the Congressional Budget Act of 1974 to carry out this subtitle.

SEC. 28. EFFECTIVE DATE.
This Act shall take effect upon the date of its enactment, and the amendments made by this Act shall apply only to fiscal year 2000 and subsequent fiscal years.

Mr. BAUCUS, Mr. President, this is a motion to recommit the bill and send it back to the Finance Committee with instructions. The instructions would be to change the tax bill to ensure that 100 percent of the off-budget surplus—that is, the Social Security surplus—be set in a lockbox that is in reserve, and it also provides that one-third of the on-budget, or non-Social Security surplus, be set aside for Medicare.

You might remember that although both sides generally agree that of the roughly $3 trillion projected surplus over 10 years, $2 trillion would be reserved for Social Security—that is the Social Security lockbox part of this amendment—we have not reached agreement on the $1 trillion projected surplus of the Medicare surplus reserve one-third of that for Medicare.

Why is this amendment so important? Plainly, simply, we believe that a
portion of the budget surplus should be reserved for Medicare. Americans very much believe in Medicare. Americans want Medicare. Americans want the Medicare program to be in good shape. They want to have the security of knowing that seniors will have a better chance to have a portion of their health care bills provided for, and that means Medicare.

There are several problems facing us with Medicare right now. One of them is solvency. I would like everybody to look at this chart behind me. Very simply, it shows that the Medicare trust fund will become insolvent, under current projections, by the year 2015. That assumes the economy stays as strong in the next 15 years as it is today. That is the assumption. If for some reason economic growth in America declines slightly, inflation rises slightly, if for some reason there is a reduction in the stock market boom, a reduction in markets, if for some reason interest rates go up, then the insolvency of the trust fund moves back to the left; that is, before 2015.

The Medicare trust fund is in much worse shape than Social Security. Projections are with this lockbox amendment that the Social Security trust fund will be in good shape way off in the future. That is not true for the Medicare trust fund, not true at all.

In fact, this chart shows that, optimally, the trust fund is going to reach a deficit situation—the surplus will be zero—and Medicare payments will therefore have to be decreased under the hospital trust fund, at the very latest by the year 2015, probably earlier.

Why is that doubly important? We are reserving a portion for Medicare, one-third of the on-budget surplus for Medicare, not only because the solvency of the trust fund is in a difficult position, but also because the baby boomers are due to reach retirement age at about 2011 and on through to about 2029.

The baby boomers are going to reach retirement, and that is going to cause much more pressure on the trust fund. We believe it is prudent today to reserve a portion of the on-budget surplus—a third of it—to meet that problem, that demographic condition that is going to occur; namely, more baby boomers. We think it is only prudent to preserve Medicare for that reason.

There is another reason to save for Medicare, and that is very simply to help make it easier for us in the Congress to provide prescription drug coverage for seniors. If we have heard anything lately with respect to Medicare, it is that seniors want and deserve some kind of Medicare prescription drug coverage. Why is that? One reason is that today, essentially, Medicare does not provide for drug coverage out of hospital.

There are some exceptions for that, but as a basic rule Medicare does not provide for prescription drug coverage for seniors. Why is that? One reason is that they are in the hospital. That is a problem. Roughly 30 percent of Americans over age 65 depend entirely on Social Security for their income.

There are a lot of seniors who are not very wealthy. A lot of seniors who desperately look for that Social Security paycheck and who desperately are trying to figure out how to balance their individual or family budget to pay for prescription drugs, to pay for heating bills, to pay for food. This is not some cataclysmic scare tactic. It is not some wild story.

All of us in this Chamber who go to drugstores to get prescription drugs run across an elderly lady or an elderly gentleman and the druggist trying to balance things out, trying to fill a prescription and trying to find enough money to pay for it all, and asking the druggist, "Well, maybe just half," because they don't have enough money. I will bet that most Members of this body have seen either that or something similar to it.

When I first ran for office, I knocked on virtually every door in Missoula County, MT, a lot of doors. One thing that struck me—and I know it gets everybody when they read the same thing—there are a lot of people who are really poor, who are really hurting, and most of them are seniors. There are seniors who are having a hard time making ends meet. They are lonely. And we know, too, that drug benefits, drug coverage is more and more important to seniors. Seniors rely much more on drugs today than they did 20, 30 years ago. In part, that is because pharmaceuticals have come out with lots of different drugs that affect people's medical condition help people's health, especially for seniors, whose health needs more attention in later years. That is clear. We all know that.

When I talk with folks when I am home—it is with some frequency—I see it everywhere. You are reminded just how many people in our country are really in tough shape and they need help. Most of them are seniors. A lot of seniors need a lot of help. Our proposal, our simple one—10 percent more than we anticipated cuts under the BBA 1997 and the actual cuts are almost twice that, almost $200 billion over 5 years. We have all heard that, that we have cut hospitals, too, that we cut home health care too much, and so forth.

Let me show my colleagues this chart. If they can see this chart, basically it shows the projected cuts under the BBA 1997 were about $100 billion over 5 years. Now it has turned out that the actual cuts are almost twice that, almost $200 billion over 5 years. We have all heard that.

To be a little more specific, look how big the differential is between anticipated cuts under the BBA 1997 and the actual cuts. In the anticipated cuts, the differential is greatest for home health care—big difference. It turns out that the actual cuts for home health care are more than 50 percent what we anticipated. And the actual cut under skilled nursing homes is about 60 percent more than we anticipated.

So I will summarize and say that the choice between us is very simple. We have two amendments we are considering. One is a lockbox with only Social Security, in a very dangerous way because it is tied to projections by the CBO. CBO determines what the debt limit is under their amendment.

The other choice is ours, which is not only to protect Social Security but also to protect to the same degree Medicare, at a time when the American Government faces a surplus, a surplus
of about $1 trillion over 10 years. It is very simple: Save a third of the surplus for Medicare, for seniors. Help them pay those health care bills. Help them get those prescription drug benefits. Help us relieve the undue pressure we have caused on home health care agencies, on nursing homes, on hospitals, particularly rural hospitals.

This is a no-brainer. Mr. President. This is pretty simple stuff. It is a matter of choices. Do we want to help people on Medicare or do we not? We say yes, we do want to help people on Medicare. We want to help those seniors. This amendment we are offering enables people who are senior citizens to get the health care protection and the health care benefits that we think are so important.

I reserve the remainder of my time.

Mr. ABRAHAM addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM, Mr. President, because we had a little bit of confusion in the order of speaking, I propose at this point a unanimous consent agreement which would allow first the Senator from Pennsylvania to speak on our amendment for up to 10 minutes, followed by the Senator from Georgia to speak for 5 minutes on the amendment, and then we would go back at that point to the other side. We had thought we would start since we offered the first amendment on this side of the aisle.

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

Mr. ABRAHAM. I yield up to 10 minutes to the Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized for 10 minutes.

Mr. SANTORUM. Mr. President, I congratulate the Senator from Michigan and the Senator from Tennessee for their great work on the Social Security lockbox issue.

Before I get into our amendment, I will address the Senator from Montana. First he says there is no money, not a penny, not a nickel, available for Medicare under the Republican bill. As the chairman of the Budget Committee will show in his big charts—I don't have one of those big charts with me, but I have a smaller one—this yellow area is $50 billion for domestic spending programs.

If we want to—and that is the second point I want to make—use the on-budget surplus to fund Medicare, which is not an on-budget program, it is a separate program called Social Security, by the way—it is a separate program—one of the things I hear from seniors most: Keep Medicare and Social Security separate. That is what the lockbox is trying to do with Social Security. There is money there if we want to take money from the general fund and use it for Medicare.

So the idea that we don't lock it up is ridiculous. The money is there. Then we can decide where we want to spend that money. It is a matter of priorities.

This is my argument: I don't know if the Senator from Montana has ever voted to spend general fund money on Medicare. I don't think there has been a vote I am aware of in the Finance Committee to actually—there have been resolutions, a sense of the Senate, we should save Medicare—fund a Medicare program out of general fund revenues, Medicare Part A Program.

That, to me, is a dangerous precedent. We have a separate dedicated tax for Medicare—a separate tax. What is now being talked about is that we have to grow Medicare by using the on-budget surplus.

Let me say this: If Medicare was a program that was financially sound, that was doing a very solid job in the health care industry, everyone would say, look up was the kind of coverage that seniors are really looking for, then you might make the argument that it is a well-run program and is doing everything it should be doing, and instead of raising taxes on Medicare, we should stay that money out of the surplus. The problem is, we have a fairly strong bipartisan agreement that there are a lot of problems with Medicare. The Senator from Montana will agree there are serious problems. No, 1, it doesn't cover even half of their health care costs of seniors. Here is the major health care program for seniors, and it doesn't even cover half of their costs for health care.

What we are saying is—and we said on a bipartisan basis—let's fix Medicare, make it more efficient, let it meet the needs of seniors, including prescription drug coverage. Why? Because when Medicare was put together 45 years ago, it wasn't like that common or well used; they were a very different game. Well, today is different. So we need drug therapy as part of a basic benefit because it is the way we treat people more often. So this idea, somehow or another, our lockbox is not sufficient because we don't lock up Medicare is ridiculous. We have money to do it, A; and, B, we have to question first whether we should throw more money at Medicare before we fix what is fundamentally flawed with Medicare, in making it a better program. Those are the things I would like to address on Medicare.

With respect to our lockbox, I always find it unbelievable when we have an issue here with broad consensus—in this case, or in most cases, the issues pushed by our side of the aisle—all of a sudden we have an agreement. We have agreement in the House, 416–12. The President says he wants a Social Security lockbox. We come to the Senate and we have agreement. Probably if I talk to seniors around the country, the first thing they will tell me is: If you quit raiding that money out of the Social Security trust fund, Social Security would be OK. We have an agreement.

So we come to the floor with an agreement to fix the Social Security problem. Let's lock that money up so only Social Security money can be used for Social Security. Well, sometimes, as the song in Oklahoma says, a girl can say no. The girls who can't say yes on the other side of the aisle. These Democrats just can't say yes.

We have an agreement, we have something that we all agree on. America is overwhelmingly agreeing with it, but they can't come around to saying let's get this done. No, they are going to change the subject. Well, that Social Security thing, we agree with you; but you don't do enough and therefore we can't let you do this. We can't let you do Social Security. This is the kind of thing this phony red herring with Medicare. I am trying to say the public is tired of this. They want us to be able to find things we have consensus on and do them, instead of playing political games.

What is going on in the Senate on this issue, for six cloture votes, over a several-month period, is political gamesmanship. We have agreement that Social Security moneys should only be used for Social Security, and we can't get one single Democrat vote to pass that measure. We have 80 plus percent of the American public who want it done. We have their President who said: Send me only a Social Security lockbox only. We have 46 Members of the House who say "Social Security lockbox," and we have 45 obstructionists—who would rather play politics because they think they can win the election on making the Republicans bad guys on Medicare. So they throw the Medicare herring out. We don't have the Social Security herring this time. These are the two red herrings that are chronically thrown at Republicans at election time. We have lost the Social Security card, so let's play the other card to try to do things up so we don't get things done.

People are sick of that. I can tell you, as a Republican Member who is working hard to preserve Social Security, I am sick of it. We can get this done. We can pass a lockbox that says to every Social Security recipient in America: Your money is not going to be spent on other Government programs. We can make that assurance. The President said he would sign it, and 45 people on the Democratic side of the aisle are saying, no, we are not for getting anybody any political wins because we only think of politics. We don't want to give you this political win. We want you to be the do-nothing Congress, so we are going to throw this red herring out. Medicare, Oh, the bogeyman on the Republican side; they don't have a nickel or a penny or a quarter for Medicare.
Garbage. The issue is not Medicare. This is a Social Security lockbox, which the Democrat—President—their President and our President—wants. We are ready to give it to him. What is the response from the other side? The response could be, should be: OK, let’s do Social Security. We all agree on it. We have broad bipartisan consensus. We have public approval. Let’s do Social Security.

But, no. Let me tell colleagues on the other side of the aisle, the Medicare issue is going to be here a little while longer. I don’t know of anybody who thinks Medicare is going to go away; or the problems in Medicare are only temporary. That issue will be here, and it is an important issue, one that should be fully debated. But it should not be used to obstruct something that is desperately needed to protect the Social Security trust fund, and that is the political game that is going on. We should call it what it is; it is an absolute red herring.

Social Security can be—should be—protected from raids by the general government and by the very same people, I might add—we saw the Democratic leader come forward this week and say we need $10 billion more for agriculture. May I ask the Senator from Montana where that money is coming from?

Let me answer that question. The Social Security surplus. So is it really that they want to do the Social Security lockbox as they say? Is it really that they want to put all that money aside to make sure Social Security is solvent for the next generation? Or is it really because they just can’t help themselves; they want to spend it?

They don’t want a lockbox because a lockbox keeps their fingers out of the Social Security trust fund, which they love to raid. They just can’t help themselves. They just love to stick their fingers in there and get that money out that is just sitting there. It is just sitting there. It is similar to a sailor on leave, sitting there with a shot on the bar and he is staring at it and he can’t leave it alone.

All I am saying is: Leave Social Security alone. Pass the lockbox.

The PRESIDING OFFICER. Under the previous order or is the Senator from Georgia is recognized for up to 5 minutes.

Mr. COVERDELL. Mr. President, I think it might be useful for anybody listening to the debate to put this in some sequence. When the Nation discovered there would be projected surpluses of amounts that had not been anticipated, they changed all the dynamics of our discussions about budgets and Social Security. When the President gave us his budget, he spent about 40 percent of the Social Security receipts.

If there is one complaint you hear as you travel across the country, it is that people are unhappy when the Congress dips into the Social Security taxes that have been sent, purportedly, to prepare for the retirement of all those who participate. So when this Congress began, we got a budget from the President that spent 40 percent of those Social Security receipts.

Our side of no. We are going to take the President at his admonishment over the years. We are not going to spend any of the Social Security receipts, and we are not going to use it for tax relief. It is going to be set aside and protected. Over the next 10 years, that is almost $2 trillion.

I might add, that does not solve all the issues that deal with Social Security. But it makes a pretty good down-payment on the problem. Everybody in America agrees that ought to be done.

After this debate was floated around the town for a while, I think the President realized it was not going to fly to propose to spend the Social Security receipts. June 28. That is just several weeks after being pummeled for 5 weeks that he should not be spending those receipts. He said, “Social Security taxes should be saved for Social Security, period.” He didn’t say, and something else.” Or, “Maybe we ought to talk about Medicare.” We will talk about that in a minute. He said, “Social Security taxes should be saved for Social Security, period.” That was a big change.

We had our side of the aisle saying no Social Security receipts for anything but Social Security, and we had the President.

They brought it up in the House of Representatives. It was virtually unanimous with 415 votes. We are going to protect all the Social Security receipts. All that has to happen is for that to clear the Senate, and we say to America: We have made a monumental breakthrough.

What happened when it got to the Senate? filibuster.

We have endeavored to go to the measure to debate it and to amend it five different times. I might add it would be subject to amendments to improve it and to have the ideas heard from the other side of the aisle.

But what was the response? Don’t let the Senate get to the bill. Block it.

The latest run, which is this amendment, is to cloud it because they do not want to be responsible for blocking a sound measure to protect Social Security. They don’t want to be responsible for that. They do not want headlines supporting New York Times that says “Republicans Seize the Banner on Social Security.” This has been their purview for years. Suddenly, they are in the position of having to cloud the issue because they do not want to be seen as being responsible for leaving all of those who participate there that could be spent or used for some other issue.

We are prepared to pass a lockbox for Social Security—that none of those receipts would be spent on anything but Social Security, or the pay-down, and that they would not be used for tax relief. It would be a monumental breakthrough.

You can only conclude that, A, they don’t want a lockbox because they want those funds to be available; and, B, that the reason they are coming forth with blocking going to the bill or an amendment—that gets into another subject—is to cloud the issue, which is they are blocking the ability of the Senate to concur with the President of the United States and the House of Representatives and give America a lockbox that protects Social Security. It is not very complicated.

I will say one last thing. When you go to a town hall meeting and you talk to the American people, they do not want to talk about Social Security. They do not want any headlines or sound measure to protect Social Security. They don’t want headlines or sound measure to protect Social Security. They don’t want them jumbled up. They want Social Security protected, and then they will consider what we are talking about on Medicare. They do not want the Government in their medicine cabinet. They don’t want these two issues muddled.

Mr. President, I yield in accordance with the unanimous consent.

The PRESIDING OFFICER. Who seeks recognition?

The Senator from Michigan is recognized.

Mr. ABRAHAM. Mr. President, at this point, on behalf of myself and the managers of the bill, I yield up to 15 minutes to the Senator from Tennessee.

The PRESIDING OFFICER. The Senator from Tennessee is recognized for up to 15 minutes.

Mr. THOMPSON. Mr. President, I thank my friend from Michigan. I think the President wants to break through. Stepping back from what we have been talking about for the last few minutes, I will go back and address the issue at hand concerning the lockbox.

I think it is important to keep in mind what we are about here and what the essential question is. The essential question remains whether or not when we are faced with projected substantial surpluses, 25 percent of that amount should be returned to the people who created those surpluses. That is the American taxpayer's view. I think that question should answer itself.

Another way to put it is whether or not, in view of these surpluses, we need a tax cut or a tax increase. You would think that question would answer itself. You would think that certainly in a surplus situation you would have to seriously consider tax cuts under those circumstances.

We have a tremendous tax burden right now. Taxes are taking a greater and greater share of our economic productivity. Income taxes alone have reached the level of 10 percent of gross domestic product, the highest they have ever been in this country.
A two-earner family nowadays pays 38 percent of their income in taxes. You would think that surely we could reach agreement that now is the time for a decent tax cut for the American people. If not now, when?

Our Democratic colleague, Senator Kerrey from Nebraska, put it well earlier today, "I don't even think it is a close call—that under these circumstances we should have a tax cut."

But what we are dealing with now, with regard to the Democratic amendment, is another reason why they say we should not have a tax cut.

We have seen time and time again over the last few days almost utter hysteria in this town primarily from the White House, the President, the Vice President, and their spokespeople wringing their hands giving one reason after another after another why we cannot possibly have a tax cut under these circumstances. It is going to destroy the economy; old folks are going to be out on the street; we are going to pollute the environment; women's health issues are coming into play.

It is substantial overkill, and it is based upon the fact that they are not telling the truth about the elements of what they are trying to do; that is, essentially give us a tax increase instead of a tax cut and spend an additional $1 trillion-plus.

Now what we have as part of the reason why we can't have a tax cut is we want to protect Medicare and Social Security, and, in this particular amendment we are addressing, the question of a Medicare lockbox.

I think one of the essential questions before this Congress is, What is the responsible way to protect Medicare? We all know we have a substantial problem. We all know we are going to have to address it.

What happened in response to that was a bipartisan effort by the Medicare Commission, chaired by Senator Breaux from Louisiana. They came up with real reform because everybody knows you can't keep pouring money on top of a system that is broken, that is flawed, that is out of date, that is uneconomical, and that everybody says has to be changed. We can disagree on how to do it, but everybody says and recognizes that we have to have fundamental reform.

The difficulty with that is a political difficulty. It is not one of not knowing what to do; it is having the political nerve and wherewithal to sit down and get the job done.

This commission addressed it. This commission did it, Democrats and Republicans together. But the President pulled the rug out from under that effort. That was a real chance to do some Medicare reform. That would be the only thing that was going to save Medicare. It is fundamental reform.

The President pulled the rug out from that effort.

He says now, since we have this Medicare problem and essentially since they have pulled the rug out from the President, the only thing that is left is to solve the problem, that we have to look to general revenues. We can't have a tax cut now so we have to take this surplus and dedicate a huge chunk of it for so-called fixing Medicare.

The fact of the matter is that will not fix Medicare. It will not even help Medicare. It will be counterproductive. There will be some transition costs as we move from a failing system—it still does a lot of good, but it is a failing system—to one of real reform. There will be some transition costs. The Republican proposal has over $500 billion of revenues in our proposal that can be used for Medicare or any other reason.

Pouring more money in, setting it aside, and calming the bond market by the way, nobody goes to jail if they get inside the lockbox—I don't think fools anybody. We are making a commitment to set the money aside and not mess with it. I take that commitment seriously. The people who have returned to the American people from coming in the next day and doing something about it.

The fact of the matter is we are not helping the system by saying we are going to set aside some money for Medicare without addressing fundamental reform. A lot of people want prescription drugs as an additional entitlement. At a time when we have a real fiscal problem with the system itself, laying another entitlement on will provide additional challenges we will have to meet. However, there is even a way to do that if it is accompanied with fundamental reform.

Instead of doing that, what we have in a proposal similar to the President's proposal, just another variation, is saying another pot of money a tax cut is because we need to set aside the general revenues, the surplus, to save Medicare. It will not save Medicare. That approach will actually wind up hurting Medicare.

I was looking at testimony of the Comptroller General on this issue. He was talking about the President's proposal. It has to do with the idea of setting aside general fund revenues, general surpluses, and claims we will use that to solve a problem. It is fallacious; it is phony. The Comptroller General says even if all future surpluses were saved, we would be saddled with the budget over the longer term and at current tax rates could fund little else but entitlement funds for the elderly population. Reforms reducing the future funds of Medicare and Social Security and Medicaid are vital to restoring fiscal flexibility for future generations of taxpayers.

The Comptroller General says if we took all the money and poured it into the programs, we are really not doing very much other than perhaps buying a little bit of additional time to allow us to pour more money into a leaky bucket, when the hole in the bucket at the bottom is getting bigger and bigger, and doing nothing to improve the program's long-term sustainable. Or worse, in adopting changes that may aggravate the long-term financial outlook for the program and the budgets.

The Comptroller is saying we are aggravating the problem. You are actually doing harm if you think by putting a little more money on top of this program you can forestall real reform and you can fool the American people into thinking they don't have to make some tough choices and have real reform such as the Medicare Commission came up with. It is making you stand off from the problem and not address the problem.

We are facing a demographic time bomb. In the year 2030 we will have twice as many people over the age of 65. We will have about half as many worker-per-retiree ratio. It will be twice as bad by the year 2050. We know we have to do something.

I am afraid I must conclude that although saving Medicare and Social Security has worked very well for some people who have used it as a way of having to face up to the fundamental problems those two programs present, the real answer to the question that is presented tonight with regard to the Medicare lockbox amendment is that, once again, it is being used as yet another excuse, along with "it will ruin the economy, it will mess with the atmosphere, it will destroy the military." It is being used simply as another excuse as to why we cannot have a tax cut.

For folks who believe the money ought to come to Washington, there is never a good time for a tax cut. There is never a good time for it. It is about power. It is fundamentally about who makes decisions in our society. Anyone believing Washington should have control of this, thinks even in a surplus situation that 55 percent of it can't be returned to the American people.

I say if not now, when in the world could we ever do it? Certainly, we are not doing Medicare any good. We are not doing Medicare any good by standing here and trying to convince the American people that by setting aside a few more general revenue dollars for this system, when we have failed to reach fundamental reform, that we can do that and we will be doing something good for Medicare or the country.

I don't have a tax cut with a $3 trillion surplus, I don't know when we will ever have one. The President, in three different years, has recommended tax increases in a deficit situation.
Now we have a surplus situation. One would think the answer to that would be a tax cut. Now he comes back and suggests a tax increase. It doesn't make sense.

I suggest the Medicare lockbox proposal be defeated.

Mr. ABRAHAM. Mr. President, I yield up to 15 minutes to the Senator from New Mexico.

The PRESIDING OFFICER. The Senator from New Mexico is recognized for up to 15 minutes.

Mr. DOMENICI. I ask the Presiding Officer to tell me when I have used 10 minutes.

I heard the distinguished Senator from Montana, Mr. BAUCUS, say there is not one nickel for Medicare in this Republican budget. That is absolutely wrong. Perhaps the Senator forgot to include the fact that there is $3.1 trillion in this budget for Medicare, fully funded.

What the Senator should have said was: Shame on the President. He is accusing Republicans, and he underfunded Medicare $31.5 billion on purpose. He did such things in his budget as freezing hospital costs for rural America. Senators, including the distinguished Senator from Montana, are worried about that. The President's proposal is that it be frozen for another year. That is where he picked up $31.5 billion. Guess what he did with it. He spent it on other domestic programs. That is the stark reality, unequivocal truth.

Having said that, let me start with a quote from the CBO on July 23 of 1999. It has some real application to the so-called Medicare lockbox that is being proposed today to confuse the issue. The issue is putting a lockbox around Social Security. The other side doesn't want to vote for that for some reason, so they say: Let's do another lockbox, let's do Medicare, and we will get credit for reducing the debt.

Here is what they say about it. The chief criticism that the President—that is, OMB—has of CBO is that 

...we did not give them credit for $328 billion in transfers from the general fund to the Medicare trust fund.

Then they say,

That's right, we didn't, and that's because transfers from one part of government to another do not reduce the public debt.

The whole argument the President is taking to the American people is that he reduces the debt more than we do. But one of his big-ticket items is this one right here. The Congressional Budget Office says that $328 billion that he wanted to move out of the general fund, so it could not be used for tax cuts, he puts in the Medicare trust fund and wants credit for reducing the debt.

What does the Congressional Budget Office say? Fundamentally the most simple of all propositions: We did not give them credit for that because transfers from one part of Government to another do not reduce public debt. That is the issue.

Then, in addition, we had a very good Senator who does not agree with the Democrats on everything and say—this is BOB KERREY:

The President also has a great deal of pain in his plan. He believes Social Security has been saved by this nebulous and vague idea of “saving the surplus”—

The very same thing applies to Medicare—

while failing to disclose the real pain that will be incurred.

When they will have to pay for it, is what he is saying. Their income taxes are going to go up by the amount of $328 billion or whatever amount the Democrats allegedly want to secure for Medicare by putting it in some kind of lockbox.

I also ask an interesting question: Is there anybody who can stand on the floor of the Senate and suggest that by taking this money away from the taxpayers and shuffling it over into a trust fund extends the date by which we run out of money to pay the Medicare people what they are entitled to? Does it increase any? Not at all. You have to change the payment plan to do that. That is what Medicare reform is all about.

Having said that, I could even quote the President's own OMB budget about it.

Suffice it to say, anybody who wants to read this can. But even they say, “in a bookkeeping sense” does this carry out any real purpose—in a bookkeeping sense, nothing else. We don’t need bookkeeping; we need to decide what we are going to do with this surplus.

I believe I understand the nature of this surplus. I am working very hard to convince people that we all ought to agree on one set of facts and then see where we are.

So I would like to suggest to the Senate, if they find fault with this, they can do their own. But I submit that we have, if you start with a freeze on domestic spending for the next 10 years—

Do not jump up and say we cannot do that. I know we cannot do that. But if we start with that, we have an accumulated surplus of $3.3 trillion. We ought to then talk about how the Republicans plan to use that. Very simply, we take every penny that belongs to Social Security and we say put it in a lockbox. That is the debate tonight. But put it in a real lockbox, don’t put it in a lockbox such as the one that is offered here on the floor tonight. It is unbelievable that the other side would even claim to have a lockbox.

They create another budget point of order on top of at least four that already exist, against a budget resolution that has a surplus on the deficit. That is exactly the issue. You can call it Social Security or whatever. There are already four points of order on that. You do not need this new lockbox on Social Security.

But let me suggest, let’s continue on. If this is the way you look at a surplus, then set all the Social Security money aside. Then go and say, What do we do with the rest of it? We submitted the proposal that was put in this budget resolution when we designed it and voted on it for a tax cut over a 10-year period.

People are acting as if we are cutting $792 billion worth of taxes next year. Do you know how much we are cutting taxes next year? Four billion dollars. Do you know how much we are cutting taxes next year? Four billion dollars. Do you know how much we are cutting taxes next year? Four billion dollars. Do you know how much we are cutting taxes next year? Four billion dollars.

In the next year it is maybe twice that—$8 or $10 or $12 billion. It does not do anything to inflate this economy because we are planning it right. We are planning it to come in piecemeal, as a booming American economy can absorb it. That is $792 billion. If you want to know the number, that is 23.4 percent of this total surplus.

I have been using a dollar bill. It caught on. The Democrats have used dollar bills, and they got us all confused. They have two different dollar bills, one cut in thirds, one cut some other way. Ours is simple. We have not cut it any way. We say one-quarter of it, 23.4 percent, should go back to the people. It is to the Democrats to believe this, but plain old arithmetic says there is $506 billion left over. The other side says there is not a nickel in this for Medicare.

Before they came to the floor, before this idea that we were not doing anything for Medicare became a political issue, the budget resolution had $90 billion in it for Medicare—the one you voted on, Republicans. It had $90 billion in it. Now, look here, there is $505 billion worth of domestic priorities. We submit it is up to the Congress and the President to decide how to use it. But would anybody believe we are not going to use part of it for prescription drugs? Of course we are. And, incidentally, is that enough money?

Do you know how much the President said we need for prescription drugs? And he would have sold this to the American people, except it is impossible. He said $48 billion of that is what you need to fix, reform, and pay for prescription drugs. It turns out he totally underestimated it. It is more like $111 billion—$118 billion. But the truth of the matter is, take $90 billion out of it, take $100 billion out of it;
that leaves $405 billion to add to discretionary. Just in rough numbers, you could add $50 billion a year. If you do $100 billion worth of Medicare, you can add $40 billion a year. Is that enough?

Tomorrow I will put up a chart showing how much discretionary spending has gone up in the last decade. I would be surprised if it went up $40 billion, net increase, in very many of the years.

So essentially we have only one issue here: Do we lock up, in an irretrievable manner, as suggested in the Abraham-Ashcroft-Domenici lockbox, which is really a lockbox—such a lockbox that the Secretary of Treasury was even worried that it did not give Government enough flexibility, so we changed it to give them some flexibility. We provide for 5 or 6 new programs here, big, big, big, Government. If you want to grow it, then do it the way the President recommends: Do not have this tax cut in; have a little piece of one.

The PRESIDING OFFICER. The Senator has used 10 minutes and has 5 minutes remaining.

Mr. DOMENICI. In fact, I am prepared to make a guess, if they want us to settle for $300 billion—and $792 billion, rounded to $800 billion, is almost 25 percent—they would like to give the American taxpayers back less than a dime, it looks to me. So if they have a chart up that explains their position and want to use an American dollar, put it in a chart and put it off at 30 percent and say: That is what we would like to give you back because we need all the rest of it because we want to increase spending.

I do not think this applies to the distinguished Senator who is making the argument in behalf of the Democrats. I do not think he would want to spend all that money. But I do believe the President has snookered us all. He has us believing we are really going to harm the American people by not paying for every new program he has in mind and more. And, frankly, that is just not true.

In fact, tomorrow, if I can, I will put up about five of the President’s new programs, I say to Senator ABRAHAM. I will get them on a chart here, and I will ask the American people: Which do you prefer? These five new programs? Or would you prefer to make it easier to pay off student loans? Would you prefer to make it easier to take care of an elderly parent? Would you prefer to stop penalizing marriage? Or would you prefer a new program? It does not matter what new program. New programs are new programs, if they are added to the expenditure of the Federal Government and are making it grow.

We believe there is a pretty good size right now. We believe there is a need for some growth. We believe there is a need in some instances to increase dramatically what we have been spending, and we voted for that in our budget resolution. We said education is one of them, if you will reform the way we give it to the States. Let’s put more money in, not less. We said that. We argued it here on the floor. We propose to stick with that.

But the truth of the matter is that our lockbox will make our tax cut reasonable and plausible and will make sure the Social Security people are safe.

I close tonight by suggesting to everybody who is listening to this debate we should do this now. If we do not want to use the surplus to grow big, big, big, Government. If you want to grow it, then do it the way the President recommends: Do not have this tax cut in; have a little piece of one.

Here is $1.9 trillion waiting for you to tell us how to fix Social Security. Is it so complicated? No, it is not complicated. He prefers the issue to a solution. That is why we are on the floor. He does not want to submit a Social Security reform program. He wants to continue to hoodwink us into thinking if you give the people a tax cut, you cannot fix Social Security.

I will bet the President would not submit a Social Security reform program that would cost so much that it would not leave money for a tax cut out of this surplus. That is absolutely incredible that he would do that. I do not believe he would submit a Medicare reform program that would cost so big and so costly that there would not be money for a tax cut. As a matter of fact, he kind of shocked me. He submitted a reform Medicare plan that only costs $48 billion, if he was right in his numbers. It turns out he is not right, but had he been right, he would have been submitting one that cost $48 billion. I submit there is plenty of money left over to do that.

My last argument, and it will take a minute, is there are some suggesting we should not do this now. If we do not do this now, we will never do it because, as a matter of fact, as we proceed through, we will obligate all this money one way or another for some American program, and then we will say there is not any money left for tax cuts.

For those who are so frightened about us having a negative impact on the American economy, let me suggest, for the next 3 years, our impact is insignificant, almost negative. It begins to grow a little bit in the outyears, but even the great doctor—as PHIL GRAMM said today—he is like the Bible, everybody quotes him but nobody reads him.

That is what PHIL GRAMM said today on the floor. Even if he said if you are going to spend it, have a tax cut. He also said the Republican plan is not significant enough in size over a 10-year period or annually to have a negative impact in terms of the American economy.

I think we are on the right track. Will the Senator yield me 1 additional minute?

Mr. ABRAHAM. I yield 1 minute.

Mr. DOMENICI. We are on the right track, and I think the Democrats have missed the boat. They are mixing apples and oranges when they try to confuse us on another lockbox for Medicare. I think tonight we have just about disposed of that as being a ridiculous approach which I call anything but a tax cut approach. Frankly, with what the Republicans have over this period of time, I say if you cannot give back a little bit of it to the American people, then what do they elect us for? I yield the floor.

The PRESIDING OFFICER. The Chair recognizes the Senator from Montana.

Mr. BAUCUS. Mr. President, I have heard a lot of words.

Mr. DOMENICI. Good words.

Mr. BAUCUS. My question is, where’s the beef? There is nothing on the other side about what they want to do to help Medicare—nothing. The Senator from Pennsylvania started out by saying: Gee, there’s money for Medicare. Then he shifted his argument to say we should not use general revenue. Then he shifted his argument to say that the amendment we are offering is a charade, a smokescreen. But if you listen to the words, there is not one word of what he wants to do to help Medicare. As a matter of fact, what I hear in the words is, first, we need some kind of structural reform. Let’s get structural reform, but let’s not use general revenue.

There has been reference to the Breaux plan. Senator Breaux admits we need resources in addition to structural reform to help solve the Medicare problem. He said that. He is the chairman of the commission. He said we need it. I think he is right. The problems facing Medicare will require both structural reform as well as some additional resources to help solve the problem. At least that is his view, and he is chairman of the Breaux commission. He ought to have some idea of what is necessary.

I also remind my colleagues that structure reform is not easy. I will never forget catastrophic attempts several years ago. That was about $4 on
It is an illusion, it is not there, because of the politics and the difficulty of addressing Medicare reform.

The Breaux commission did not come up with any super-majority recommendation. They could not. It is so difficult, we did not say we should shirk from structure reform. Of course, we will work on structural reform, but we also need general funds to help with Medicare.

I was very perplexed when I saw the chart put up by the chairman of the Budget Committee. I want to ask him where he got his numbers. I know where he got his numbers. They are his own numbers, not CBO numbers. For example, the CBO baseline projection over the next 10 years is a surplus of about—it is on the chart—about $2.896 billion. That is CBO.

If you look closely at the chairman's chart, the most important thing he says is that is the baseline. The chairman did not use the chart put up by the chairman of the Budget Committee. He used the CBO baseline projection.

We have the Senate Budget Committee—I am trying to avoid the phrase “cooked the books.” I will tell you where it did not come up with and where the chairman was showing. Here is what it is:

The Congressional Budget Office said, OK, we are going to freeze the caps as required by the budget through the year 2002. Then CBO said: We are going to assume a baseline at the rate of inflation for the remainder of the term up to about 2009. That is how they got this number, $2.896 billion.

What did the chairman of the Budget Committee do? He said: I know what I am going to do because the Democrats are really right. What I am going to do is come up with a different number to show there are more savings.

How did he do it? He said: OK, I am going to freeze the baseline after the year 2002 for discretionary spending, and that is going to mean that I get to come up with additional—that is the yellow, domestic priorities.

The fact is, that is very unrealistic and it’s not what CBO projects. I think we ought to use the same numbers. A lot of us on our side think CBO is a little tainted; it has become a little political over the years. But I suggest we all come up with its own numbers, not CBO numbers. It is no different. That is where we are.

It is important for Senators to know those are not CBO numbers, those are Senate Budget Committee numbers. Those are the majority’s numbers, not CBO’s numbers.

Mr. Domenici. Will the Senator yield?

Mr. Baucus. Just say the yellow is an illusion, it is not there, because most of us, if we are realistic, are going to assume we are going to at least keep up with inflation over those years. If we do not keep up with inflation over those years, then we are going to dramatically cut programs.

How much are we going to cut? The figure is about a 54-percent cut in domestic spending.

By saying there is no inflation rate considered past the year 2002, for the rest of the term, these numbers represent, in effect, a 54-percent cut in discretionary spending. That is what it comes out to. That is pretty big. So that is why I say that yellow is an illusion. It is not going to happen.

If I could address another point. My colleagues on the other side of the aisle made two basic charges. First, they say that this is a smokescreen. That we really already have a box, a lockbox, good. My good friend, the Senator from New Mexico, said: Well, we have the points of order.

It is true, we create an additional point of order, but it is a super-majority point of order—60 votes. It is pretty hard to pass more votes around here.

Witness the waiver on the Byrd rule did not get 60 votes. Oh, that side really wanted to waive the Byrd rule. They could not do it. They could not get 60 votes. Sixty votes is a pretty big hurdle.

Make no mistake, we are very serious about protecting Medicare. You can also tell that we are serious because we are proposing a lockbox that is very similar to the House lockbox which passed by an overwhelming margin.

Why is the Senate lockbox not a good idea? I will tell you why. Because it says the debt limit has to go down on a step basis, depending upon what CBO’s projections really are for the next 10 years. That is the point. We are going to force all kinds of votes here to raise the debt limit if it does not work out that way.

We know all the charades around here, all the politics, all the nonsense that goes on around here, because of votes on raising the debt limit, whether or not to pay bills we know we have to pay anyway. It just doesn’t make sense. It just does not make sense to tie the debt limit to what CBO says the projections are going to be on the debt.

We also know that it works—at least the House thinks it works. The House approved it. I think only a handful of House Members voted against it.

So we are saying the House lockbox basically works. House Republicans voted for it; House Democrats voted for it. But we want to go one step further. We are also saying, let’s reserve some money, a third of the surplus each year, reserve that for Medicare. If it is not used in structural reforms, to take care of it and we do not have to use it, it can be used for tax cuts, it can be used for defense spending, it can be used for whatever this body thinks makes the most sense. But only with a super-majority vote.

My good colleagues on the other side of the aisle also made an argument about shifting $328 billion. That is a red herring. That argument has nothing to do with this issue. It is irrelevant.

The only point I am making is that of the $1 trillion on-budget surplus, we ought to at least set aside a third in a reserve fund for Medicare.

Congress can decide what it wants to do in helping protect Social Security and Medicare. We can decide to provide for prescription drug benefits. We can address the problems caused by the balanced budget amendment cut backs. We can extend the solvency of the trust fund. That is what this amendment is all about. It is about reserving the surplus for Medicare, provide for drug benefits for our elderly men and women. That is the problem.

I urge Senators, cut through all the rhetoric. Listen carefully to the underlying words. Sometimes, what people don’t say is as important as what they do say. In this case, our good colleagues make no pretense of guaranteeing funds for Medicare. Whereas we say, very simply, let’s save a third of the surplus each year in a reserve fund. If we need it, fine. If we do not need it, fine—we can reduce the debt and leave our options open.

We have this opportunity because we have the large projected on-budget surplus in the future. We do not have that after the fifth year. How many Senators can remember times in the past having a $1 trillion on-budget projected surplus? I can’t. I do not think anyone else can either.

What is the likelihood that is going to continue? What is the likelihood we are going to have a surplus 10 or 5 years from now? What is the likelihood we will have it 8, 10 years from now? Pretty slim; not very likely, in my judgment.

So we have an opportunity. We have an opportunity to put aside the funds necessary to extend the solvency of Medicare. We have the opportunity to put aside the funds necessary for structural reforms. We have the opportunity to put aside the funds for a prescription drug benefit. I am saying, let’s preserve this surplus—let’s keep our options open.

Do you know what else our lockbox does? Deficit reduction. People want deficit and debt reduction. They are tired of being saddled with this debt. They don’t want their children similarly constrained. That’s why this lockbox is such a good proposal. If we don’t need the funds for the next, say,
10 years—because the Medicare trust fund will be solvent at least until 2015—that is a $300 billion reduction in the national deficit. That is what it comes down to.

So, again, I do not hear anything from the other side aisle about any guarantees to help Medicare except for words—maybe something in the future about structural reform, but certainly not in the budget tax debate—I repeat again, not one red cent for Medicare.

Helping to provide for Medicare is not a smokescreen because we do have a Social Security lockbox that works. Our lockbox is very similar to the one that the House passed. They passed it. If they passed it by such a large margin, providing a supermajority point of order, it makes sense to me that we should do it. But let’s go farther and protect Medicare. Let’s have both. Let’s protect Social Security. Let’s also protect Medicare. It is very simple. They are two parts of the same package, if you will, to help the elderly.

We have a lot of very poor elderly. About a third of the American elderly rely solely on Social Security for income—about a third. There are a lot of people who just do not have any money. Virtually one-third are dependent upon it. There are about 44 million people on Social Security including folks with disabilities. The average payment is about $750 a month. That is all. If a third are relying on only $750 a month, that means, clearly, they really need the help.

So, again: A lockbox for Social Security that works and a lockbox for Medicare that also works.

I reserve the remainder of my time. The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. Mr. President, how much time is remaining on both sides?

Mr. BAUCUS. Mr. President, I yield 20 minutes to my good friend, the Senator from New Jersey.

The PRESIDING OFFICER. The Chair recognizes the Senator from New Jersey.

Mr. LAUTENBERG. I thank the Senator from Montana. Perhaps I will use less time than that.

Mr. President, I have listened carefully to the debate. I heard comments that I would describe as scornful, derisive, challenging everybody else’s honesty.

I know one thing. When we are challenging someone else’s honesty, it is a good idea to do it in front of a mirror. That way, one gets to see what perhaps one might be saying, and understand where one is going, so that when one reviews the argument being made for or against a particular point of view, if they want to talk in terms of dishonesty and in terms of scorn and in terms of derision about what is being said, it invites the same kind of commentary—which gets us nowhere.

It doesn’t improve the debate. It doesn’t make it clearer to the American people. It doesn’t establish a framework for really thinking the problem through.

Mr. President, I am the senior Democrat on the Budget Committee. And I want to suggest that my colleagues take a look at an article in the Wall Street Journal, entitled “GOP Uses Two Sets of Books.” The article explains that the GOP is using two sets of books—one from the Office of Management and Budget, the other from the Congressional Budget Office. And, by taking the best of each, it’s trying to hide the fact that, and I quote, “lawmakers are poised again to raid the very same Social Security funds they have promised to lock away.”

Mr. President, I don’t accuse our friends on the other side of the aisle of deliberate untruthfulness. But I hope the American people will be able to understand what is going on.

Mr. President, when it comes to this tax bill, there is no doubt where I stand. I stand for the majority of the American public. The people who are concerned with making a living and providing for their children. The people who are working hard to help their parents and grandparents. The people in families where two people are working, and who are having a hard time meeting their obligations. When mom has to work and dad has to work and they are either on different shifts or the same shifts, it means one of the parents is not home to be with the children at times when that might provide the kind of encouragement and sustenance for development. There is a price to pay for that.

There is physical fatigue. My mother was a widow at age 36. She worked hard. I was old enough to be in the Army. My sister was only 12 when my father died. But there was exhaustion. It was hard to take care of all of the responsibilities.

When I look at tax cuts, I ask, which Americans need them? The guy making $800,000 a year? I don’t think he needs $23,000 tax cut. But that’s what he’d get under this bill. And that’s money that we could be using to pay off our national debt.

Mr. President, most Americans, if given the opportunity, would love to pay off their loans and their debts. Their mortgages, their car loans. Well, that’s what we want our nation to do.

But the Republicans, instead, want to use the money to provide massive tax breaks for wealthy individuals and special interests. Oil interests, mineral interests, agribusiness interests. The money we are paying off our debts and leaving our children free from that obligation, the Republican bill would give that money to these special interests.

As you can tell, Mr. President, I object strongly to the Republican tax bill. This legislation raids surpluses that are needed for Social Security. That sacred covenant we have with people who have my color hair that says we want to care of them. It is a commitment we made, a promise we made. As we took the money from their paychecks, we said, “Don’t worry about.

I want to protect Social Security. My conscience calls for it. I have to make sure those who are paying Social Security are going to get the benefits they expected when it comes to retirement time.

Medicare? There are few programs in this country that have the value to people like Medicare, which says that when you reach that age when sickness, when physical problems are not a systematically just get the money you need. Those are essential, basic things—Social Security solvency, Medicare. These are for people when they are most vulnerable, in their older age. We have made a commitment that we are going to take care of them. Our friends on the Republican side say no, tax breaks; that is more important.

By the way, all of this is more show business than plain business. It is designed to let the American public think they are going to be generous and they want to return the money, and we are sinners because we say we are going to help pay off the debt that your kids, Mr. and Mrs. America, won’t have to worry about.

They say: Who knows better how to spend the money? Is it those bad guys in Washington—bad guys and women; that is the way we are today—those bad people in Washington who want to just take your money? I heard someone say, “Let it and spend it,” take it and spend it, like that is the principal motive for responsible people serving here. I wouldn’t accuse them of that, and I don’t think they ought to accuse us of that silly nonsense. Take your money and spend it! That is not what anybody wants to do.

We want to do the right thing. They want to do the right thing. They just haven’t learned how yet.

Mr. President, the cost of the tax breaks under their bill would increase the national debt by $230,000 a day. That’s what he’d get under this bill. And that’s money that we could be using to pay off our national debt.

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We won’t take funds needed for...
Social Security and Medicare like the Republican bill does. They are willing to take it out of this Social Security trust fund, which I will demonstrate later.

Neither Social Security nor Medicare has enough financing to support the baby boomers in their retirement. We need to extend the solvency of both programs. We need to pay off our debt, which now forces taxpayers to pay $225 billion a year in wasted interest payments. I guess they don’t want to stop that. They don’t want to stop that. They would rather try to dole it out principally to people at the top of the income ladder. They don’t want to reduce that debt.

President Clinton has proposed to reserve all Social Security surpluses for debt reduction as well as another $325 billion after Medicare. The Republicans openly oppose reserving non-Social Security surpluses for Medicare, but they claim their bill reserves all Social Security surpluses for Social Security. The claim is untrue.

The bill before us would raid Social Security surpluses in 5 of the next 10 years. This chart shows the numbers.

Here we are, 2005; that is practically around the corner. What does it say? Red. Everybody knows what red ink means. Minus $12 billion. That is out of the Social Security trust fund. We have no place to get it. So instead of protecting Social Security, we are raiding Social Security because of the tax cut they want to give to the fat cats.

Consider what will happen in 2005. The non-Social Security surplus that year will be $88.6 billion. But this bill would cost $89.9 billion. The bill therefore would directly create Social Security surpluses of $1.3 billion in that year. That is raiding Social Security would be much deeper. This legislation would increase debt and lead to higher interest costs. In 2005 alone, these additional interest costs would eat up another $10.9 billion of Social Security surpluses. So the total raid on Social Security would be over $12 billion in 2005.

If you consider both the direct revenue losses and the additional interest costs, this bill would raid the Social Security surplus in each of the second 5 years as well.

Mr. President, I think I know what the Republicans would say about this. They will promise that even if this bill does spend Social Security surpluses, many years from now, Congress will somehow make huge cuts in programs, such as education and the environment, to offset these costs. Unfortunately, it is an empty promise that is completely unenforceable. No credibility.

Consider the depth of the cuts that would be required. If you assume the Republican Congress funds defense programs at the levels presently proposed by President Clinton, by the end of the 10 year period, domestic needs, everything from education and environmental protection, to the FBI, would have to be cut by 40 percent. Is that credible? A 40-percent cut in student aid? A 40-percent cut in health research? A 40-percent cut in veterans' programs?

That is not going to happen. But that is the pretense under which we are operating.

The Republicans are saying we have to reduce and cut programs. But the American people need to understand what that would mean. Head Start—375,000 preschool children would be denied services that help them come to school ready to learn. The FBI—that is a favorite of all of ours because they do very important work—would have to be cut by 40 percent. That would mean the cuts that would these costs explode even more. All of this will be happening when the baby boomers start retiring.

In other words, the Republican plan doesn’t just raid the Social Security trust fund; it also undermines the Government’s revenue base and dramatically increase the chances that Social Security benefits will be cut.

Similarly, this bill proposes a very realistic that the Medicare fund is now scheduled to go bankrupt by 2015. President Clinton has proposed a comprehensive reform plan that would extend solvency through 2027, for a dozen years or more. He wants to provide a new prescription drug benefit for older Americans. That is going to come from the surpluses that we enjoy, as long as we don’t give them away.

What does this legislation do for Medicare? Zero. There is not a penny to extend the program’s solvency, and not one penny for prescription drugs.

Another problem with the bill is that it is fundamentally unfair. It is loaded up with various special interest provisions. Meanwhile, ordinary Americans are left with a few crumbs.

If we look at this chart, the top 1 percent of the income earners, earning $387,000, get a $23,341 cut. If you are in the top 5 percent, earning between $83,000, you get $41. That is less than 50 cents a day. I hope those people making $38,000 don’t go out and blow that 50 cents a day.

Another problem with this bill, according to an analysis by Citizens for Tax Justice, the top 1 percent of the taxpayers makes over $300,000—and the average, as we saw, is $837,000—will get those juicy tax breaks that we see here, while the bottom 60 percent will get that $141.

That is not fair. Beyond the threat to Social Security, Medicare, education, and other priorities, and incomes over $300,000—and the average, as we saw, is $837,000—will get those juicy tax breaks that we see here, while the bottom 60 percent will get that $141.

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Mr. KENNEDY. Mr. President, President Clinton's proposals...
Social Security Trust Fund. That step would extend the life of the Trust Fund by more than a generation, to beyond 2050.

In fact, the Republican plan does not even effectively guarantee that existing payroll tax revenues will be used to pay Social Security benefits. There are traps for the unwary in the Republican “lockbox.” A genuine “lockbox” would guarantee that those dollars would be in the Trust Fund when they are needed to pay benefits to future recipients. But that is not what the Republican plan does.

Our Republican friends claim that the enormous tax cuts they have proposed will have no impact on Social Security, because they are not using payroll tax revenues. On the contrary, the facts are exactly the opposite. As the Director of the Congressional Budget Office candidly acknowledged:

Ten year budget projections are highly uncertain. In the space of only six months, CBO’s estimate of the cumulative surplus has increased by nearly $300 billion. Further changes of that or a greater magnitude are likely—in either direction—as a result of economic fluctuations, administrative actions, and judicial actions, and other developments.

Despite this warning, the Republican tax cut leaves no margin for error. If we commit the entire surplus to tax cuts and the full surplus does not materialize, Social Security revenues will be required to cover the shortfall in tax cuts.

Second, even if the projected surplus does materialize, the cost of the Republican budget exceeds the surplus in five of the next ten years—2005, 2006, 2007, 2008, and 2009. Unless the Republican proposal is restructured, Social Security revenues will be required to cover the shortfall in each of those years.

Third, the Republican tax cut leaves no funds to pay for emergency spending, which has averaged $8 billion a year in recent years. Over the next decade, we are likely to need approximately $50 billion to cover emergency needs. That money has to come from somewhere. With the entire surplus spent on tax cuts, the Social Security Trust Fund will have to fund these emergency costs as well.

These three threats to Social Security that I have described are very real. They expose the fundamental flaws that prevent the Republican “lockbox” from being a genuine lockbox for Social Security.

In addition, there is an even greater threat to Social Security in the out-years. Under the President’s plan, the Social Security Trust Fund would receive $43 billion new dollars from the surplus between 2011 and 2014, and it would receive an additional $189 billion each year after that. The Republican tax cut will make the President’s plan imposed, to cover only two-thirds of their tax cut proposal dollars over $2 trillion between 2010 and 2019. It will consume all of the surplus dollars which were intended for Social Security. There will be nothing left for Social Security. No new dollars will flow into the Trust Fund, and the future of Social Security will remain in serious doubt.

**MEDICARE**

The failures of the Republican plan to preserve and strengthen Medicare is just as serious. Today, Medicare is a lifeline for the 40 million elderly and disabled citizens who depend on it for health care. It is an essential part of our health care system. It allows families to save and send a child to college instead of saving to send a parent to the hospital. It fulfills its founding promise, in which everyone pays in to Medicare during their working years, and everyone benefits from good health care during retirement.

The Republican budget threatens to destroy Medicare by putting it on a starvation diet. Instead of protecting Medicare in anticipation of the largest demographic challenge in its history, the Republican budget sacrifices Medicare on the altar of tax breaks for the rich. There is not one additional dime for Medicare in the Republican budget, although that budget contains nearly $2 trillion in tax breaks. Medicare now covers 19% of limited incomes of senior citizens. On average, senior citizens spend 19% of their limited incomes to purchase health care they need. Because of gaps in Medicare and rising health cost, Medicare now covers only about 50% of the health bills of senior citizens. On average, senior citizens spend 19% of their limited incomes to purchase the health care they need—almost as large a proportion as they had to pay before Medicare was enacted generation ago. Many low-income senior citizens have to choose between putting food on the table, paying the rent, or purchasing the health care they need.

Some of the other side contend that we should not provide additional funds for Medicare. They say we should look for additional ways to reduce Medicare spending. But Medicare spending growth is at an all-time low. In fact, evidence is mounting that Congress has already cut too much from Medicare in the past, to balance the budget in 1997. While Democrats and Republicans have different opinions about how best to reform Medicare, one fact remains clear: Starting in 2010, the retirement of the baby boom generation will begin in earnest. With a significant investment now to prepare Medicare for the financial demands of that era, the only options will be to dramatically cut benefits or raise taxes.

According to the most recent projections of the Medicare Trustees, if we do nothing, keeping Medicare solvent for the next 25 years will require benefit cuts of almost 11%—massive cuts of hundreds of billions of dollars—or double-digit payroll tax increases. Keeping Medicare solvent for the next 50 years will require cuts of 25%—or even larger payroll tax increases.

Under the guise of reform, some argue that we should reduce our obligations to support guaranteed benefits. They favor proposals to privatize Medicare, or turn it into little more than a voucher program—leaving senior citizens to the tender mercy of profit-seeking private insurance companies. Nothing could be more devastating for America’s elderly—today and in the future.

We have a clear opportunity to protect Medicare. All we have to do is reserve a fair share of the surplus for Medicare. That budget contains nearly $2 trillion in tax breaks. You don’t need a degree in higher mathematics to understand what is going on here. This Republican plan is Medicare malpractice.

Every senior citizen knows—and their children and grandchildren know, too—that the elderly cannot afford cuts in Medicare. They are already stretched to the limit—and often beyond the limit—to purchase the health care they need. Because of gaps in Medicare and rising health cost, Medicare now covers only about 50% of the health bills of senior citizens. On average, senior citizens spend 19% of their limited incomes to purchase the health care they need—almost as large a proportion as they had to pay before Medicare was enacted generation ago. Many low-income senior citizens have to choose between putting food on the table, paying the rent, or purchasing the health care they need.
The typical Medicare beneficiary is a widow, seventy-six years old, with an annual income of $10,000. She has one or more chronic illnesses. She is a mother and a grandmother. Yet this budget would cut her Medicare benefits in order to pay for new tax breaks for the wealthy. These are women who will be unable to see their doctor, who will go without needed prescription drugs, or without meals or heat, so that wealthy Americans earning hundreds of thousands of dollars a year can have tens of thousands of dollars more a year in additional tax breaks.

This is the wrong priority for spending our hard-earned surplus—and the wrong priority for America. And the American people know it.

As we debate these issues this week, the response of our opponents is predictable: they deny that they have any plans to cut Medicare. But the American people will not be fooled. They know that our plan and the President’s plan will put Medicare on a sound financial basis for the next generation—without benefit cuts, without tax increases, without raising the retirement age, and without privatizing Medicare.

In this debate, we intend to offer Senators a chance to vote on whether they are sincere about protecting both Medicare and Social Security.

Our opponents are already trying to confuse the issue. They say that it is wrong to put the surplus into Medicare.

The workers of this country are the ones who have earned this surplus—and they want to use it to preserve and protect Social Security and Medicare, not use it for new tax breaks for the wealthiest Americans.

Our opponents say that our proposal just puts new I.O.U.s into the Trust Fund. Let’s be very clear. There are two ways to restore Medicare’s financial stability. One way is to cut benefits. The other way is to provide new resources. Our proposal puts new resources in the Medicare Trust Fund. It takes funds that would otherwise be used for a tax cut for the wealthy, and uses them instead to maintain the health protection the elderly need and deserve—and have earned. In terms of its effect on Medicare, it is no different from depositing payroll tax receipts in the Trust Fund, as we do today.

Those on the other side of the aisle have tried to conceal their neglect of Medicare. They say that their plan does not cut Medicare. That may be true in a narrow, legalistic sense—but it is fundamentally false in every way that counts.

Between now and 2025, Medicare has a shortfall of almost $1 trillion. If we do nothing to address that shortfall, we are in effect adding almost $1 trillion in Medicare cuts, just as surely as if we said so directly in the text of the legislation. No amount of rhetoric can conceal this fundamental fact. The authors of the pending bill had a choice between supporting Medicare or slashing Medicare—and they chose to slash Medicare.

A vote for our alternative is a clear statement that Congress should preserve and protect Medicare for today’s elderly and their children and grandchildren. Rejection of our Alternative is an equally clear statement—in favor of new tax cuts for the rich, paid for by harsh and unacceptable cuts in Medicare.

In 1935, when President Franklin Delano Roosevelt signed the Social Security Act, he said it was “a cornerstone in a structure which is being built but is by no means complete.”

The creation of Medicare 30 years later added significantly to that structure. On the threshold of a new century, the time has come to add again to that structure.

We can modernize Medicare and prepare for the 21st century—the century of life sciences. We can prepare for the massive influx of retirees from the baby boom generation, if we devote the resources needed to do so. The surplus was generated in part by Medicare savings, and it is only right that a responsible portion be invested in modernizing and strengthening the Medicare.

We know how the American people want us to vote. Congress should listen to their voice. The opponents of Medicare were wrong in 1965, and they are wrong in 1999.

The PRESIDING OFFICER. Who yields time?

The Senator from Michigan.

Mr. ABRAHAM. Mr. President, I yield 10 minutes to the Senator from Missouri.

The PRESIDING OFFICER. The Chair recognizes the Senator from Missouri.

Mr. ASHCROFT. Mr. President, thank you very much. I thank the Senator from Michigan.

Mr. President, it would be amusing, if it weren’t tragic, to hear the representations made by those on the other side of the aisle that the Republicans are indifferent to our senior citizens and to Medicare, or indifferent to Social Security.

Let us not forget the Social Security lockbox is a Republican concept.

They came to us saying how aggressively they are supporting what happened in the House. It is about time they started to support a lockbox of some sort. They filibustered that at least six times previously to keep it from being here. It is time we have a lockbox.

We enacted a credible lockbox to protect Social Security so our seniors won’t be jeopardized by a reckless sort of effort to spend.

There is real distress on the part of our colleagues on the Democrat side of this Chamber who are afraid we are not going to leave enough money to spend. Their spending habit is hard to break.

But I think we ought to understand the American people are paying in over the next 10 years $3.3 trillion of surplus. They don’t want to buy that much more government. They want some change to go to the store.

You by a gallon of milk, and you give them 10 bucks. You don’t expect them to start adding other items to your order to fill up what you could have bought with your 10 bucks. You expect to get your money back when you pay in a surplus, and the American people should do that.

They suggested we don’t have any money to deal with a Medicare problem. It is pretty clear we have $505 billion available to deal with Medicare, if we choose to, over the next 10 years.

Just for example, the President said he could fix it for $38 billion. And $505 billion is 10 times that much. But I don’t recommend that we allocate a specific amount to fix Medicare before we have decided how to reform Medicare.

The Senator from Tennessee eloquently stated the position of the Comptroller General of the United States, our sort of auditor, the person who looks at things and asks: How are you doing? Is this reasonable? Does it make sense?

He indicates that just pouring more money into a system that is broken—well, you know, if you just step on the gas in a car that is going in the wrong direction, it doesn’t get you to your destination any more quickly. The key is to reform Medicare and have a resource available when you reform it. That is the Republican plan.

Are we being irresponsible by taking 23.8 cents out of every surplus dollar and saying to the American people who earned it that we are going to return it?

There is an old slogan in Washington. “You send it; we spend it.” People are a little tired of that.

We have the highest tax rate in the history of the country. Even State and local rates are higher in many cases caused by our mandates on State and local government.

We have a $3.3 trillion surplus, and someone says we should save tax cuts for when it is the right time for tax cuts as if the timing is contingent on the Government.

I tell you. It is the American people’s money. Their timing ought to be considered.

I think the American families need resources to do for themselves now, that they should have the money to do it themselves and not have to rely on government. We should make that choice.

I rise to say that this business about us not having a regard for Medicare is a lie.

We want to reform Medicare. We don’t want to pour more resources into a bucket, the bottom of which is like a sieve.
Sure. We will do what we can to sustain the system. It is sustainable, according to the most recent data, until the year 2014. It is good. But we shouldn’t decide to just pour money into that system. We should reform it.

There was a bipartisan commission led by Senator Breaux that would have reformed it. The proposed reform led by Senator Breaux wasn’t to take a lot of money. As a matter of fact, it was to save money.

We are willing to make resources available. But the idea that somehow we have to lock up $300 billion in order to make possible a reform of the system when the $300 billion will keep people from wanting to reform it, and just wanting to spend what is there is not the way to handle the problem.

The chairman of the bipartisan commission chaired on the other side. I don’t believe supported that provision when it was before the Finance Committee. I don’t think we should support it now.

But it is time for us to say to the American people what we said in our budget proposal that the Senate voted. I believe, 99-0 to do; and that is to lock up the Social Security surplus.

It is a program which we promised to the American people. It is a program that can go forward. We ought to have that resource available to them. We agreed on that. The House agreed on that.

Talk about the House agreement on the other side of the aisle, yes. This is what the House agreed to—lock up Social Security. I think that is what we ought to do.

We expect to have $2 trillion in Social Security surpluses over the next 10 years. We ought to make sure we don’t spend it on anything else. That is the Republican way, to jog the public plan. It is the Democrat plan, and the President’s plan. The President agreed to it. He said we needed a durable lockbox, “period.” He didn’t say a lockbox for Social Security and add Medicare. The President didn’t say that. He said we need a Social Security lockbox, period. The “period” was his language, not mine. It is not some Republican plot. The President said it. The House of Representatives said it. The Republican Senate has been asking for it. It is on the other side of the aisle time after time after time and now trying to keep us from doing it again.

I think we need to make sure we honor and respect the retirement security of individuals who expect us to protect Social Security.

Having done that, and we find out there is roughly half of the next 10 years’ surplus that is not earmarked for Social Security and it is not paid for Social Security. That money could be divided between tax relief and resources for contingencies that come up in this body, or to the United States Congress. That is why we planned $792 billion in tax relief.

Some say: Is that too much? Is it too little? It is 23-plus percent of the total surplus.

The lion’s share of the total surplus should go right into this lockbox. This proposal that Senator Domenici, Senator Gramm, and other Senators have been talking about, taking Social Security money and earmarking it for Social Security benefits alone, and then reserving the $505 billion that is available in addition to that for future contingencies and needs including, if necessary, transitional costs for reform in Medicare. The Senator from Tennessee eloquently related comments by the Comptroller General of the United States.

This is a resource we now have that we do not have a right to keep, in my judgment. The American people have overpaid their taxes. Like a shopkeeper, who has a responsibility to give back change when they are paid too much for an ordered item, rather than trying to foist off an extra gallon of milk, another ham or another box of cereal, another box of nails or hammer if you are at the hardware store, when a person has paid more for the item than requested, they get their money returned.

Return the money to the American people. The American people earned this money. This is not money that came from Government. This is not from the magic of the Congress. This is not from the creativity of the President. This isn’t the product of the bureaucracy. This is the product of the hard work of American families. In many families, both parents work. In some families, both parents are working two jobs or extra work. They have worked for the money.

We have to make a decision. Are we going to fund families in this country or are we going to fund bureaucracy? Are we going to let families have an opportunity to spend the resources which they have created? We must. In order for them to be confident about the fact we are not giving away the future, make clear that the President has said we need what the House of Representatives voted 416-12 in favor of, and that is a lockbox to protect Social Security.

With that in mind, I say we have a responsibility to the American people to put the Social Security proceeds in the lockbox, to have a prudent approach to the rest of the expenses. Say to the American people with that $800 billion over the next 10 years: You earned it; we returned it. Let’s end this idea of: You send it; we spend it. Our desire and appetite should not be unlimited.

I thank the Chair for this opportunity to support the concept of a lockbox. I reserve the remainder of my time.

Mr. ENZI. Mr. President, I rise in support of Senator Abraham’s Social Security lockbox amendment to the Taxpayer Relief Act. This is the third time the Senate has considered this language and I believe it is appropriate that we take up this matter during the debate on the returning the non-Social Security surplus for tax cuts. This amendment will put an end once and for all to the rhetoric about raiding the Social Security trust fund to provide tax cuts. By passing this amendment, the Social Security surplus will be protected.

Congress has the responsibility to create a firewall between the Social Security surplus and the discretionary surplus to ensure that we can meet the future needs of retirees. The Social Security surplus is spoken for and Congress must protect it. Our mission is to ensure that the money is protected and ready for the future.

The source of the surplus is a rising inflow of Social Security payroll taxes. This is money that comes out of the paycheck of every working American who has been paying into the system and we deserve to give them some assurance that the money will be there when they retire. Under the current budget rules, this revenue is treated like revenue from another source—it is put into the general fund and then spent. The lockbox would capture the difference between the inflows to the Social Security trust fund and the payment of benefits to current retirees—reserving it for the Social Security program and helping to guarantee benefits for future retirees.

The amendment that we are debating tonight also prohibits transfers between the general fund and Social Security. This is an important provision, it prevents the president and Congress from playing hide the ball and shifting money from the Social Security trust fund to the general fund and replacing that money with IOUs. An IOU in the Social Security Trust Fund is an obligation of the United States Government, it is a debt that we must pay back. Where is that money going to come from? We cannot repay an IOU with an IOU. We must hold on the Social Security surplus in a budgetary lockbox and protect it.

The Social Security lockbox will also protect the Social Security surplus from wasteful spending and ensure that the money will be there to fulfill future obligations. Just as corporations are prohibited from spending their pension funds on regular business expenses, Congress should have the same restrictions on the Social Security surplus. If company executives handled pension funds like the current use of Social Security, company executives would be in jail. The temptation to go back to the old tax and spending ways is too great if Congress has access to a growing pot of money. Congress must not go back to
Mr. BAUCUS. Mr. President, I yield myself 5 minutes.

Mr. President, a couple of points. I heard my good friend, the Senator from Missouri say, as has often been stated, they are using only 23 percent of the surplus for tax reduction. The fact is, I would invite them to join me as a cosponsor of Senator ALARD’s bill to retire the entire national debt over a 30-year period. I believe that debt reduction is consistent with a tax cut. We need to pay off our debt obligations and allow the allowance of the federal government by returning some of the taxpayers’ overpayment to them.

The lock-box amendment furthers this goal of debt reduction. This amendment includes higher debt reduction provisions than previous lock-box proposals. As the surplus has continued to grow Senator ABRAHAM has moved the bar higher. The amendment requires more debt reduction as the surplus grows and I believe the American people expect that. Debt reduction creates a ripple effect throughout the economy in the form of lower interest rates for home mortgages or car loans or student loans.

The time has come for the White House and my colleagues on the other side of the aisle in fiscal responsibility. In fact, I would invite them to join me as a cosponsor of Senator ALARD’s bill to retire the entire national debt over a 30-year period. I believe that debt reduction is consistent with a tax cut. I want to pay off our debt obligations and allow the allowance of the federal government by returning some of the taxpayers’ overpayment to them.

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Mr. ABRAHAM. How much time remains?

The PRESIDING OFFICER. Seven minutes twenty-three seconds.

Mr. ABRAHAM. I will not use all that time.

First, I thank the manager of the bill, Senator ROTHSCHILD, for his patience and the support tonight in this debate. I thank all the Senators who have spoken on our side, to argue, once again, for the Social Security lockbox. We have been doing this now for almost 3 months. I assure our colleagues will continue to do this as long as we have to.

I suspect again tomorrow procedural impediments will be placed in the way of our efforts to try to protect the Social Security surplus, even as everyone in this place makes at least verbal assertions that they want to protect that surplus.

But we will keep trying. Whether or not we have 60 votes tomorrow, we are going to continue this battle until it is won. Every single Member of the Senate, I think, hears from their constituents what this Senator hears when I am back in Michigan; an ongoing and ever increasing level of frustration that our seniors, as well as almost anybody who pays money into the Social Security fund, has with the notion that the Social Security surplus, even as everyone in this place makes at least verbal assertions that they want to protect that surplus

In summation, this is about choices. Either we choose to set aside one-third of the on-budget surplus for Medicare for seniors, or we don’t. That is the choice. That is the choice we have between the two lockbox amendments. One says lockbox Social Security only; the other says lockbox Social Security and Medicare. We believe the proper choice is to protect Medicare.

There is a deeper choice I want to talk about for a moment. It is a choice that many senior citizens in our country make every day. Do they choose to use their income to pay for drugs or do they choose their income for food, to pay the rent, or to pay for the bus? That is the choice that many senior citizens make every day.

About 16 million Americans are faced with that choice a day. That is, 16 million Americans rely solely on Social Security for their income. About 30 percent of American senior citizens rely solely on Social Security for their income, which comes out to about $750 a month. Seniors with a total income of about $750 a month have to make choices. Choose for drugs, choose to pay the rent, choose to pay the food bill, the bus, taxi service—those are the choices. They have to decide which among the choices to make.

We are saying let’s help the seniors with that choice. Let’s help seniors pay the drug bill. Let’s help seniors pay a little more of the doctor bill. If there is anything that obsesses senior citizens, it is their health.

I will never forget when I was walking across Montana campaigning for Congress 24 years ago, I was walking toward Butte, MT, near Elk Park. I was walking down the highway, and I could see a car parallel to me. An older fellow hunched up way off in the distance walking toward his mailbox. I could tell we were going to meet at the mailbox. I had my brochure in my pocket in my campaign for Congress. Sure enough, we met at the mailbox. I pulled out my brochure and said: Sir, I am Max BAUCUS. I am running for Congress. Is there anything on your mind you want to talk about? Anything that is really bothering you that you want to talk about?

He said: Oh, nothing except the perplexities of health.

It is certainly true for seniors, and he very much was a senior citizen.

In summation, this is about choices. I think the choice is for Medicare, not against Medicare. The choice is also to help those senior citizens pay for their medical benefits. I hope Senators choose for seniors.

I yield back the remainder of my time.

Mr. ABRAHAM. How much time remains?

The PRESIDING OFFICER. Seven minutes twenty-three seconds.

Mr. ABRAHAM. I will not use all that time.

First, I thank the manager of the bill, Senator ROTHSCHILD, for his patience and the support tonight in this debate. I thank all the Senators who have spoken on our side, to argue, once again, for the Social Security lockbox. We have been doing this now for almost 3 months. I assure our colleagues will continue to do this as long as we have to.

I suspect again tomorrow procedural impediments will be placed in the way of our efforts to try to protect the Social Security surplus, even as everyone in this place makes at least verbal assertions that they want to protect that surplus.

But we will keep trying. Whether or not we have 60 votes tomorrow, we are going to continue this battle until it is won. Every single Member of the Senate, I think, hears from their constituents what this Senator hears when I am back in Michigan; an ongoing and ever increasing level of frustration that our seniors, as well as almost anybody who pays money into the Social Security fund, has with the notion that we spend those dollars on anything other than Social Security.

We have tried to make this a simple issue from the very beginning. We have tried various forms of this lockbox. We have offered different types of amendments to try to address concerns that have been raised. Each time, procedural roadblocks have been placed in our way. My understanding and expectation is that they will be placed in our way again tomorrow. But the bottom line is that—and I agree with the Senator from Montana—that Republicans do want to cut taxes more than Democrats. There is not much disagreement about that around here. That, I believe, reflects a clear distinction between us.
And we Republicans want to protect Social Security with a tough lockbox, the very lockbox that has frequently been criticized tonight because it is so tough.

The question is, where is the beef? The answer is in our lockbox. It is so tough that in fact we have been criticized for making it too tough. That is where it is. It is in the teeth we have put in the lockbox.

We are going to try again tomorrow. We are going to try tomorrow to pass this lockbox proposal in a form that will absolutely guarantee that Social Security money sent to Washington by people who pay payroll taxes is protected from any spending of any kind.

The budget that has been offered by the President is a budget that actually spends over one trillion new dollars of that money when they passed it. And once again, say those choices, as to how that surplus ought to be spent, should reside in the hands of the people who earned the money and paid the taxes and sent them to Washington. We say take all of the Social Security money, protect it in a tough lockbox, and then let’s return 25 cents out of every surplus dollar to the men and women in our country who earned those dollars in the first place.

As I have tried to indicate tonight, we have endeavored, on six previous occasions, to try to pass this lockbox. In each case procedural impediments have been placed in our way to prevent it from happening. We would just like to have a chance to have an up-or-down vote. If we have 50-plus votes, then we will have a Social Security lockbox. Hopefully we will get that chance.

Mr. BAUCUS. May I ask the Senator a very gentlemanly, civil question? Mr. ABRAHAM. The Senator from Michigan, the lead sponsor of this, has very little time left.

The PRESIDING OFFICER (Mrs. HUTCHISON). Does the Senator from Michigan yield?

Mr. BAUCUS. I ask the Senator whether he would agree to the lockbox the House passed?

Mr. ABRAHAM. Let me say this. We have offered that to the Senate to be considered. One of the cloture votes which was offered was on the House lockbox. We tried to pass it. And once again, on party lines, we came to the well of the Senate and our effort to pass that bill was prevented.

All I am saying is we would like to have a final up-or-down vote on this. That is what we are asking for.

Mr. BAUCUS. Madam President, one more brief question?

Mr. ABRAHAM. I am going back my time actually, Madam President. I am the only person who has been on the floor tonight who has not spoken. The Senator from Montana had two opportunities to speak. I refrained because we had so many speakers on our side. I would like to summarize. I have a feeling the debate is not over on this topic and we will have other opportunities.

I just want to say we brought up the House lockbox on the floor. It was prevented from moving forward. We brought up the tougher version, the Senate version we are offering tonight. We have not had a chance, because of procedural impediments, to vote on it. One proposal I hope might be followed up on is a simple one. Tomorrow maybe neither side should impose procedural impediments, and if one or the other version of this gets a majority of votes in the Senate, then let’s move it forward. I suspect that will not happen. I am not going to ask anybody to answer that tonight. But tomorrow I may make a pitch and an appeal to our colleagues to let each side have their vote. If one of those lockboxes gets 51 votes, let’s move it forward. Let’s give the American people what they want. That is a lockbox to protect Social Security.

Madam President, to me that makes sense. That certainly is consistent with what voters in our States want, what people who pay payroll taxes want. It is overdue.

This Senator will come back, if he has to, time after time, well into the night if we have to, to make this case. But it is a simple one—are we or are we not going to really protect the Social Security dollars, that are sent to Washington, from being spent on anything other than Social Security? I say we should. I think we should use a tough lockbox to make sure that happens. We have a chance tomorrow to vote on these two lockbox proposals. I say, if one of them gets 50 votes, that ought to be good enough, if it is true we all want a lockbox. If it is not true, then we will be back again as we have been over the last 3 months, endeavoring to find a way to finally get the American people that which they want.

But, in closing, as we examine this issue, as we consider the next 10 years, if we are really going to have, as current projections indicate, almost $2 trillion in Social Security surpluses, and if we do not do something soon to protect this with a lockbox, those dollars are going to start to be spent. This is a stake made for cutting into portions of it this year and the same will happen next year, as has been happening for so many years already. This Senator is doing everything he can to try to make sure those efforts to take money out of the Social Security trust funds for other programs do not happen any longer.

All this debate which has gone on for 3 months has done nothing more than delay and keep open the possibility that Social Security money would be spent on other things. I do not believe we should let that happen. I think we should pass a lockbox tomorrow. If somebody gets 50 votes for their proposal, then my recommendation is we should not use any procedural impediments to prevent that proposal from happening. The President says he wants it. Even the House has passed a version, not the one we are offering, but they passed one nonetheless. So let’s go forward. If somebody gets 50 percent let’s move this issue out of the Senate and on towards final completion.

I gather my time is up, and I appreciate the debate that has happened this evening.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Madam President, I suggest the absence of a quorum, and in so doing state to my colleagues the next amendment will be offered by the Senator from Florida. He will be here momentarily.

The PRESIDING OFFICER. The clerk will call the roll.

The Legislative assistant proceeded to call the roll.

Mr. GRAHAM. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. ROBB. Mr. President, I thank the Chair.

AMENDMENT NO. 1391

(Purpose: To delay the effective dates of the provisions of, and additions made by, the Act until the long-term solvency of Social Security and Medicare programs is ensured)

Mr. ROBB. Mr. President, I send an amendment to the desk and ask that we consider it for debate at this time and that the vote occur on this amendment at the time previously designated under the unanimous consent agreement.

The PRESIDING OFFICER. Without objection, the clerk will report.

The legislative clerk read as follows:

The Senator from Virginia [Mr. ROBB], for himself, Mr. GRAHAM, Mr. ROCKEFELLER, Ms. MUKULSKI, Mrs. MURRAY, and Mr. BRYAN, proposes an amendment numbered 1391.

Mr. ROBB. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

At the end add the following:
July 28, 1999

CONGRESSIONAL RECORD—SENATE

TITLe XVI—DELaY IN EFFEcTIVE DATE

Notwithstanding any other provision of, or amendment made by, this Act, no such provision or amendment shall take effect until legislation has been enacted that extends the solvency of the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance Trust Fund under section 201 of the Social Security Act through 2027 and the Federal Hospital Insurance Trust Fund under part A of title XVIII of such Act through 2027.

Mr. ROBB. Mr. President, I am pleased to offer this particular amendment with my long-time friend and colleague from Florida, Senator GRAHAM, and others who join us. Both Senator GRAHAM and I have served as Governors before coming to this body, and our views on fiscal matters are frequently very much in sync as they are on the amendment we offer this evening. Having served as executive officers of our States, we share a somewhat unique perspective, and it is from that particular unique perspective that we offer this amendment.

The amendment simply states that if it is the will of a majority of the Members of this body to enact the tax cut before us, let’s at least accept responsibility for strengthening Social Security and Medicare first. In short, let’s get our priorities straight.

We all understand the allure of tax cuts. I do not know many Americans who would not like to have a few extra dollars to spend on something, and I do not know many Americans who truly enjoy writing a check to the IRS. Most of us work hard to minimize legally what we have to pay to Uncle Sam to run our Government, and most of us can find areas where we would like to see Government spending cut or eliminated altogether. Sure, we like and, indeed, need the services and protections Government offers, but we do not like to have to pay for them.

To enact a tax cut of this magnitude at this time when the economy is not in need of an economic stimulus, when we have not fixed Social Security, when we have not fixed Medicare, when we backload all of the tough decisions future Congresses will have to make to pay for the cuts, when we frontload only the politically popular promise of more than we are actually delivering, when we know that discretionary spending assumptions are unrealistic and unattainable, when we are already breaking the spending caps we have pledged to adhere to in the Balanced Budget Act we passed just 2 years ago, when we know defense spending is going to have to increase well beyond the current baseline, when we know that correcting a course of action will be far more difficult than anything we are bent on doing with this bill, Mr. President, I submit that to pass this bill at this time without this amendment would be ludicrous. It would be as fiscally irresponsible in the extreme. It would be as fiscally irresponsible as anything Congress has contemplated during the 11 years I have served in this body, and we are doing it all in the name of a certain Presidential voice. Is it any wonder people lose faith in their Government?

Enacting massive tax cuts today before addressing the obligations we know we have tomorrow is reckless. Those who propose this approach are, in effect, buying political benefits by using our children’s credit cards. We curvy favor today and leave the bill for others to pay. A surplus is what is left over after we have met our obligations, and we will not know what our obligations are until we reform Social Security and Medicare.

I am pleased to offer this amendment with my distinguished colleague from Florida, and many others who are accompanying the spirit of the amendment that we all have enormous respect for the chairman of the committee and the bipartisan effort that has preceded this particular point in the debate. But we are simply—I am simply unwilling—that we are simply unwilling to accept the fact that we should move forward with the tax cuts before the surplus upon which those tax cuts are premised has actually materialized.

Mr. President, I yield the floor to my distinguished colleague from Florida.

Mr. GRAHAM. Mr. President, the issue before us with this amendment is what is the proper order of consideration of the issues challenging our Nation? In the Bible it talks about the fact that there is a season for all things. This year, there is a season to harvest. The question is, What is the season of America here in late July of 1999?

The position Senator ROBB and I and our cosponsors take is that the season is not for a massive tax cut until we have planted and harvested the seeds of a strengthened Social Security program and a strengthened Medicare program.

Mr. President, the issue before us with this amendment is not for a massive tax cut until we have planted and harvested the seeds of a strengthened Social Security program and a strengthened Medicare program.

The bill that was reported by the Senate Finance Committee and its companion, which has already passed the House of Representatives, would cut taxes by approximately $800 billion over the next 10 years.

Some have claimed—and claimed on this floor earlier today—that a tax cut of $800 billion is the ideal way to usher in a new era of budget surpluses and to maintain the economic growth and prosperity through which we are currently living. I could not disagree more.

With all due respect to my colleagues, the tax cut jeopardizes the long-term solvency of two of the critical programs for millions of Americans—Social Security and Medicare—programs for which there is a solemn contract, a contract between the American people and the Government, a contract which is now in question.

There are a series of rather straightforward questions that lie at the heart of this debate: Do we live for today? Do we consume for today’s satisfaction? Or do we plan, do we save, do we prepare for tomorrow? Do we support fiscal gluttony or fiscal discipline? The question our children might ask is, do we eat our dessert before or after spinach?

The amendment Senator ROBB offers delays the effective date of any tax cut until after legislation strengthening Social Security and Medicare has been enacted. This proposal, I suggest, is not dissimilar to the approach which has been proposed by the leadership in the House of Representatives. They have agreed that debt reduction, at least as measured by interest expense, should take priority over tax cuts. Under the House proposal, tax cuts would be made if interest payments do not decline.

Similarly, our amendment places the preservation of Social Security and Medicare as higher priorities than tax cuts. The amendment states that before any tax cut proposal can be implemented, Congress must pass, and the President must sign, legislation extending the solvency of Social Security three generations, or to the year 2075. The Congress must also pass, and the President must also sign, legislation that modernizes the Medicare program and extends the solvency of the hospitalization program within Medicare through the year 2027.

Unfortunately, the tax cut proposal on the Senate floor does not just delay our efforts to preserve these important programs for future generations; it brings these efforts to a screeching halt. The $800 billion tax cut in the plan before us represents only 30 percent of the projected non-Social Security surplus over the next 10 years.

I point to this chart, which indicates that through the combination of the tax breaks of $792 billion, and then the interest which we will have to pay—rather than as our budget has been calculated, those $792 billion would have been used to reduce the Federal debt—since that use will now be diverted to tax cuts, that means we will be required to pay out an additional $100 billion in interest during the next 10 years. With the combination of the lost interest savings associated with these tax cuts and the lost revenue from the tax cuts themselves, the surplus disappears completely, leaving us with the resources to strengthen Social Security or modernize Medicare for our Nation’s older citizens.

Although we cannot accurately predict how the economy will perform over the next 10 years, we do know that demographic changes taking place in America will place a tremendous strain on Social Security and Medicare.
Our elderly population is growing quickly. Those seniors are living longer than ever before. As a result, Social Security is already running its first ever deficit in the year 2014. It has been stated that all we have to do to save Social Security is to lock up the $1.9 trillion that will be derived by the Social Security surpluses in a lockbox that we can wipe our hands of any further responsibility for the solvency of Social Security. As you well know, the fact is that that will only extend the Social Security solvency to approximately the year 2034. Yet our commitment is to preserve Social Security for three generations, not only to those who are the current beneficiaries, not only to those who will soon become beneficiaries but to their children and their grandchildren. A three-generational solvency for Social Security cannot be achieved through the singular step of investing all of the Social Security surplus into strengthening the Social Security trust fund.

Even worse than the challenge faced by Social Security is the challenge faced by Medicare. The twin pillars of security for older Americans—financial security through Social Security, health security through Medicare.

The trustees of the Medicare fund have reported that Part A, the hospital payments, already exceed the program's revenue and will do so in each of the next 15 years.

In addition, not only does the program have a serious financial problem, Medicare is an increasingly out-of-date program and one that fails to take advantage of the benefits of modern medical science. We have a program which is from the model year 1965 when we desperately need one worthy of the 21st century.

For example, we should increase the number of important preventive benefits available to Medicare. We should provide for programs such as hypertension, programs like glaucoma, for smoking cessation, for the management of hormones—all of which would extend the quality and the length of life, all of which are within the current extents of modern medicine. Yet the Medicare program does not provide those or many other of the important, preventive measures.

We need to support that preventive effort by extending Medicare to include a prescription drug benefit, which is not only an important part of treating chronic diseases but a critical part of maintaining the health of our older citizens.

Private health care plans long ago recognized that prescription drugs are a vital tool in efforts to save lives, improve health quality, and prevent and treat disease.

Medicare will not be relevant in the 21st century if it does not cover the treatments physicians use and patients require.

Yet the tax plan before us says nothing about preserving Social Security to the year 2045 or protecting and strengthening Medicare for the year 2027. Instead, it blindly devotes virtually all of the non-Social Security surplus to tax cuts without considering the larger budget issues, issues which hang over us like the sword of Damocles.

Despite a record economy, the best fiscal situation since the late 1960s, this tax bill passes on the hard choices, passes on the choices that are going to be important to our children and our grandchildren.

The deficit may be gone, but we are still operating under the same pass-the-buck-to-the-next-generation mentality that created it. Talk of an $800 billion tax cut versus a $500 billion tax cut will not, all of those miss the fundamental point. The fundamental point is, Congress should not pass any tax cut until we have strengthened Social Security by making it solvent for three generations. We should not pass any tax cut until we modernize Medicare by increasing the number of preventive benefits, incorporating a prescription drug benefit, and securing the program's fiscal health. Those should be our priorities.

When this amendment was introduced during last week's Finance Committee markup, it was defeated on a strict party-line vote. It is my hope that bipartisanism, common sense, respect for future generations of Americans will prevent a similar outcome on the Senate floor this week. But if it does not, I am very confident and, frankly, very proud that President Clinton has stated he will veto any tax cut proposal that does not put Social Security and Medicare first. He is in the fiscally responsible position, one who knows that values wise preparation over instant gratification.

Now is the time to extend the life of Medicare and Social Security. Later, if our fiscal situation permits, it might be time to enact tax cuts. But my first priority, shared by Senator Roth, is to my nine grandchildren and the other children of their generation. I hope my colleagues will join me in making this the priority of Congress as well.

I thank the Chair.

The PRESIDING OFFICER.Who yields time?

Mr. ROTH: Mr. President, I yield to the Senator from Tennessee such time as he may require.

The PRESIDING OFFICER. The Chair recognizes the Senator from Tennessee.

Mr. THOMPSON. I thank the Chair, and I thank Senator Roth.

It must seem strange to those watching this debate that people on both sides who have the same interest come to such different conclusions about how to get where we both say we are trying to go.

There is no controversy with regard to the need to do something about Medicare and Social Security. We all know the facts. There is no controversy about the need to do something not just for ourselves but the next generation and the next generation after that. I think that is why many of us came to the Congress and to the Senate. We wanted to give back a little bit. We wanted to look forward. We wanted to do some of those tough things that maybe we thought anybody couldn't do and we could maybe come in for a little while and do that.

Yet here we are, with such diametrically different views as to what will accomplish that. That is what makes good debates, and we have heard a fine presentation with regard to this amendment. But I think it is totally shortsighted and misguided.

In the first place, let's not forget what we are about. We are about the question of whether or not we should have a tax cut with a projected $3 trillion surplus. Some people are suspicious of most projections. We know it will not be exactly right. We just don't know which direction or how much. But this Congress gets together quite often and passes tax cuts. If a little farther down the road we have been proven to be incorrect with regard to our projection, it won't take us very long to come in here and raise additional revenues if they are needed. It happens all the time, in my opinion, whether they are needed or not.

On the other hand, if we spend an additional trillion dollars, as the President suggests, that is gone. If we add on additional entitlements without the ability to pay for it when our entitlements are eating us alive in terms of spending, then the whole thing will fall over. We will never reverse that process. I fail to see the danger, the treacherous nature of a tax cut, because we can raise taxes anytime we want to. But right now on the table we have a $3 trillion projected surplus. It is really very simple. What do we do with that?

We say that actually less than 25 percent of it, a little over 23 cents on the dollar, should go back to the taxpayers. The rest of it goes to debt reduction. We say that we couldn't do and we could maybe come in for a little while and do that.

Some people say we are cutting money from education and the environment and all that. It is not true. It is absolutely not true. We got together as a Congress with the President a couple of years ago and agreed to abide by some agreement that was called the deal. We are trying to stay with that deal. After that deal runs out in 2002, we, as a Congress, can spend the money however we want to.
My personal opinion is, we need to put some more money into some things and we need to take some money out of things. And we are wxing our spending money. That is what Congress is all about. So this business that we are going to be cutting this program and cutting that program would lead some one watching us to believe that in our proposal we are slashing this and slashing that. That is what the President is going around and saying, and he is misleading people when he is doing that.

When we increase, we have certain constraints. There is no question about that. I make no apologies for it. I think it is a good thing. It is what we agreed to do. Even past that, we should have certain constraints. But within that framework, we have the ability to spend more money on some things and less money on others. That is as discretionary spending is concerned.

Now, with regard to Medicare and Social Security, the proposal before us basically takes our natural sentiment to be very concerned about Medicare and Social Security, because we are in trouble, and says let's hold everything off until we solve that problem. That sounds like a good idea, if this proposal that is before us right now would solve that problem. It would not. It would exacerbate the very problem we are trying to solve.

This amendment would say we can't have any tax cuts until we pass legislation that will make Medicare solvent to the year 2027 and make Social Security solvent to the year 2075. What is magic about those dates? What about the year after 2075? We have been talking about what is going to happen in the year 2030. We are going to have twice as many people over the age of 65 at 2030. Why would we want to make it so that we are not doing those things that some bipartisanship Senators—the Senator from Virginia is on one bill that I am on—in stead of doing those fundamental things to really solve Medicare and Social Security, let's just transfer some general revenues over into those items to serve as a temporary fix—in Medicare's case, until 2027.

I don't think that the idea is that we are supposed to do. I guess the idea is none of us will be around here to have to answer for it by 2028. But let's look at it individually. Since this amendment is predicated upon the President's proposal, I can only assume that it takes the position that the President's plan works and the President's plan will actually get us solvency by these dates.

But with regard to Social Security, I think both the majority leader and the Speaker of the House have reserved bill No. 1 on both sides for the President's Social Security bill, where he can submit his legislation that he says will effectuate his plan in order to save Social Security. It hasn't come yet because I think most people realize it is not a serious plan. It is a transfer of trillions of dollars of IOUs in the Social Security trust fund, the creation of a new debt that will constitute a burden on future taxpayers.

You talk about looking out for the future. This is not looking out for the future; this is not looking out for our children and our grandchildren, by transferring trillions of dollars in IOUs that will have to be redeemed some day. Then the President, of course, doesn't make these transfers until starting 2011 because that is outside the purview that we are looking at, and CBO and all these other commentators. So nobody is really able to evaluate it very effectively. And then it takes the money he says will come from all of this and he has the Government invest it. He has the U.S. Government invest it.

Chairman Greenspan says that is a terrible idea. When you get right down to it, after all is said and done, there are only three ways to solve this problem, in terms of Social Security: You have to increase taxes, you have to cut benefits, or you have to come up with some other method of getting back some of the investments than are being made.

Now we have bipartisan legislation over here—the Senator from Virginia and I—on a bill that we think will do that. That is the only kind of thing that will do that. Transferring more general revenue funds—as I put it earlier, putting more money into a leaky bucket, when the hole in the bottom of the bucket is getting bigger every day—will only carry us so far, they think until 2027 on Medicare and 2075 on Social Security. It might. It might do us for a small number of years, but it would do nothing in the long run.

So what? Don't we have an obligation past that? Don't we have an obligation to do something more fundamental? It doesn't take a genius to say you have some extra money, let's just pour it on top of a broken system, or, as one of our Members likes to say, putting more gasoline into an old run down, beat up, decrepit automobile doesn't change the nature of that automobile.

So the President's plan with regard to so-called saving Social Security is not a serious proposal. The President's own folks—the document submits, the "Analytical Perspectives of the Budget of the United States Government, Fiscal Year 2000"—says that:

Under the proposals in the President's budget, the trust fund balances are estimated to increase by approximately 70 percent by the year 2004, raising to $2.8 trillion.

That is the part of the plan the President says will take Social Security out and keep it solvent until the year 2075. But the President's own folks continue:

These balances are available to finance future benefit payments and other trust fund expenditures—but only in a bookkeeping sense. These funds are not set up to be pension funds, as are the funds of private pension plans. They do not consist of real economic assets that can be drawn down in the future to fund beneficiaire, and they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits. When expenditure of large trust fund balances, therefore, does not, by itself, have any impact on the Government's ability to pay benefits.

It is a shell game. His own folks, in this thick document, basically tell it like it is. When you hear him talk about it, of course, it is a little bit different. It makes you believe it is real money and you are setting something aside, and so forth. It is not. The only way we can reform this problem, and the only way we are going to get our arms around it, is to increase FICA taxes. We don't want to do that. The working man is overburdened as it is today. Cut benefits. We don't want to do that, or come up with a system that is going to produce more revenue than the investment that our Social Security system has today, which is virtually nil. We can put a little part of it in the stock market, and even if the market is punished, unless we are promised decades of low market, it would produce much more than what the Social Security system is producing today. Those are the only
things we can do. I do not believe these other things are serious in the effect they will have.

Of course, again—and I mentioned it several times today—we are dependent upon the President’s support. I guess, to pass a bill that will do these things when, on the other hand, he is doing everything he can to prevent reform. We had a bipartisan Medicare commission. We have these bipartisan bills. As far as the commission is concerned, the President did everything he could to defeat the recommendations there. Democrats and Republicans—and Senator Breaux chaired that commission. A Democrat—worked together and came up with solutions. The President would not support it. He would rather have a temporary political issue than a long-term solution to this problem. That is very disappointing. Many of us who were critical of the President some time ago thought that in his last couple of years in office he might want to step forward and do this and leave that kind of legacy. He could have done that. It is a wasted opportunity, and I regret that.

So that is the Social Security plan, one that doesn’t consist of real economic assets and will have to be financed by raising taxes borrowed from the public or reducing benefits.

What about Medicare? As I understand it, the President’s proposal there basically transfers $327 billion from the general revenue. CBO takes a look at it and says it will make Medicare more solvent for several more years. It doesn’t have a number on it. But this is what the professionals who look at this say about that. This is what CBO says about the President’s Medicare financing. Again, is this the solution to the Medicare problems we have? Is this the reason you don’t have tax cuts because this is what we need to do? I don’t think so. Listen:

The President is proposing to augment Medicare’s financing by making transfers from the general fund of the U.S. Treasury to the program’s trust funds.

That sounds familiar—Social Security and Medicare.

Consistent with the policy outlined in the President’s budget for fiscal year 2000, CBO estimates that $288 billion would be transferred from the general fund to the Hospital Insurance trust funds over the next decade. That transfer would delay by several years the projected date on which the HI [Hospital Insurance] trust fund will become insolvent by committing future general revenues to Medicare. It would do nothing to address the projected date on which the HI trust fund will become insolvent by committing future general revenues to the program. It would put off real reform and wind up reducing Medicare, not saving it.

What is he talking about is something that might not only not do any good in terms of a fundamental sense but will aggravate the problem. If we deceive ourselves into believing that by using general revenue moneys we are really doing something to solve the Social Security/Medicare problem, it will put off real reform and wind up reducing Medicare, not saving it. That would consist of real economic assets, create a real future. It would do nothing to improve the long-term sustainability of the Medicare and Social Security programs.

We have in excess of $500 billion in our proposal that can be spent for transition costs, Medicare, any other discretionary spending proposals that we think it is important to spend on. That is general revenue money, too. There is no question about that.

But, fundamentally, both sides have come together on an agreement that this is not the sort of thing that is going to solve that problem. It has nothing to do with tax cuts. If we don’t fundamentally solve the Social Security problem, a tax cut is going to be irrelevant. If we don’t fund it, they are going to be irrelevant to that. It has nothing to do with that basic problem. By keeping the economy strong, cutting taxes for working people, letting them keep a little bit more of their own money, it doesn’t directly benefit these programs but it helps the people who are using these programs ultimately are designed to benefit.

In conclusion, basically we have no legislation before us and no proposal that would effectuate this amendment in terms of what kind of legislation are we talking about to reach these magic dates.

Second, the President’s position, which I think these dates are based upon, is a flayed one for the reason that we have set out.

Lastly, not only is this not reform, but it goes against reform. So, indeed, we come full circle.

I agree with my colleagues that my heart is in the same place as theirs. I want to figure out a way for us to come together and really do something about Medicare and Social Security. I want to find a way to do something about which we ourselves up to 2027, or however long some of us might still be around here—not myself, but the next generation and the generation after that.

Let’s look seriously and see whether or not this is the sort of thing that is going to get us there, or whether buckling down and doing the hard work, the hard, politically risky work—because if you use the words, you are running some kind of political risk—and not be willing to do that, as to why we shouldn’t have a tax cut.

We have had more reasons in one day than you can shake a stick at as to why the world would come to an end if we had a tax cut. There is no good time for a tax cut for some people because a tax cut has more to do with than just dollars and cents; it has to do with the exercise of who is going to make decisions in this society. Money is power. Where the money lies is where the power lies. Is it going to be in the pockets of the American people, or is it going to be in our pockets?

Some say we have been a little bit too reticent ourselves because we say of the surplus dollar that only 25 percent with the President, but the American people’s pockets. But to call that dangerous, to call that gluttonous, to call that selfish greatly exceeds the mark.

I urge the defeat of the amendment. Thank you, Mr. President.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. ROBB. Mr. President, I thank you, and I thank the distinguished Senator from Tennessee for his comments. I think he is absolutely correct in that there is much that we agree upon. I would like to commend him for his effort to reach the bipartisan consensus that is going to be required if we are going to solve either challenge that we are discussing this evening.

Social Security will not be saved without a bipartisan effort, and it is going to require the hard, politically risky work that the Senator from Tennessee just alluded to. The same thing with saving Medicare. Those are not easy decisions. That is one of the principal reasons that we are suggesting we ought to address those tough questions first.

Let me suggest I understand in terms of the remarks made by the distinguished Senator from Tennessee that taking something that is not on the table is effective. But we are not really defending all of the President’s plan in this particular instance. We are using a couple of numbers that happen to coincide with the President’s. There is much simpler and much more specific. We are talking about simply postponing this tax cut.

The Senator from Tennessee made the point that it might be difficult to actually achieve whatever is necessary for some actuary to come to the conclusion that we had in effect saved Social Security or that we had saved Medicare. I would not contest that as a position by the Senator from Tennessee. But we are not saying you cannot ever have a tax cut. We are saying only that we will not have this tax cut, this tax cut that we believe at this time is excessive. It may be that a time will
come when tax cuts, particularly targeted tax cuts, are appropriate. I suggest to my friend from Tennessee that while the time may indeed be difficult to envision in terms of major tax cuts, it seems to me a time that does not cry out for tax cuts is a time when the economy is not in need of the economic stimulus that would come with a tax cut.

The one thing that the Fed seems to suggest to us is that a tax cut could overheat the economy and would have consequences that we are trying to avoid at this particular time. But the bottom line is this: We are not suggesting anything but, hold up. We are saying in effect, What is the hurry? There is no compelling urgency to cut taxes, particularly when we are talking about a tax cut of this magnitude that can be made in the next year, or the year after, or whenever we find that we can afford to make that kind of a tax cut after meeting our obligations, such as protecting Social Security and Medicare.

That is all we are saying. We are only suggesting that, because of the magnitude of this particular bill, we ought to suspend this particular tax cut until we have achieved those objectives. I suggest that is a relatively modest restraint on our activities, but it is a fiscally responsible approach to take.

I have to tell the distinguished Senator from Tennessee that there are many on this side of the aisle at least who are not all that enamored with some of the suggestions that our brethren have made with respect to tax cuts at this time, and indeed we voted for the Democratic alternative only because it would substitute for the bill that is on the floor today. But I must take a look against tax cuts altogether for all time. Indeed, there are some areas where we should provide cuts—the extending, for instance, of the R&D tax credits and others that we know we are going to do anyhow—it is something that would provide a sense of realism and would allow some certainty in terms of planning for those companies that are doing the cutting edge work, that make our economy strong, and that make us a leader in the global economy.

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Mr. GRAHAM. This is the statement of the Concord Coalition. In conclusion it provides:

The bottom line is that, at the moment, political leaders have no idea how to meet the long-term spending promises that have been made for Social Security and Medicare, and no idea how to meet the toxic discretionary spending caps on which the baseline surplus is premised. Major tax cuts should await the resolution of these issues. If the politically hard choices are made before the easy ones, there is a very real danger that we’ll end up spending a surplus we don’t really have.

Let me repeat:
If the politically hard choices are not made before the easy ones, there is a very real danger that we’ll end up spending a surplus we don’t really have.

So those are why the issues of sequence—what do we do first, where do we put our priorities—are central for the fiscal future of this country and the debate we have this week. I will briefly say why I think the proper order is Social Security and Medicare first.

First, the Social Security taxpayers and the Medicare taxpayers, through their payroll taxes, have created the totality of the surplus we have today. There is no other surplus than the Social Security surplus today, and there will only be a meager surplus beyond Social Security for the foreseeable future. So should not the people who created the surplus have some moral standing to be at the front of the line, not the back of the line, when we decide how to spend the surplus?

Second, a substantial amount of the non-Social Security surplus is going to be the result of the Social Security surplus being invested in paying down the debt held by the public and therefore foreclosing the opportunity of enormous interest payments—that $2 trillion of Social Security surplus when it is fully committed to reducing the debt held by the public. Let us say the average interest on the debt of the Federal Government today is 6 percent. Those people who are creating those interest savings deserve to be at the front of the line, not at the back of the line?

Third, we do have a solemn contract for solvency of that trust fund. For Social Security, how we should do everything else that we may find needs to be done.

What does the Concord Coalition advocate us about the issue we face tonight? Mr. President, I ask unanimous consent to have printed in the RECORD immediately after my remarks, a statement signed today, July 29, 1999, by the Concord Coalition.

The PRESIDING OFFICER. Without objection, it is so ordered.
(See Exhibit 1.)
So what we are saying is let's maintain our options. Let us not place ourselves in a position where we are not able to respond to whatever standards of solvency for Social Security and Medicare. Once we have done that, we can declare hallelujah, and then we can proceed, if there are funds left after we have accomplished those purposes, to tax cuts or whatever else the Congress and the American people believe to be their priorities. But these are the first two priorities. There is both a moral and a legal obligation, and maybe most important, an obligation to our future, as seen in the faces of our grandchildren. It is to them that this amendment is directed.

I urge my colleagues to adopt the simple principle: Let's do first things first, and Social Security and Medicare solvency are the first two responsibilities of this Congress. I thank the Chair.

[From the Concord Coalition, July 28, 1999]

TAX CUTS SHOULD AVOID HARD CHOICES ON SPENDING

WASHINGTON—With the House and Senate headed toward passage of a $792 billion, 10-year tax cut, The Concord Coalition today challenged Congress and the President to make the hard choices on discretionary and entitlement spending before enacting a major tax cut.

"Cutting taxes in anticipation of spending cuts that have not been made, and may never be made, for the sake of a chronic annual budget deficits," said Policy Director Robert Bixby. The Concord Coalition pointed out that Congress and the President have yet to agree on several key spending issues, including:

Discretionary cuts—The Congressional Budget Office (CBO) baseline assumes that the discretionary spending caps will cost $111 billion over 10 years. Republican leaders have suggested a less expensive approach, but the question remains—how much will the new benefit cost?

Social Security reform—The CBO baseline assumes that the entire surplus will be used for debt reduction. But what about Social Security reform? Many responsible reform plans would use at least the Social Security portion of the surplus as the down payment on a funded system of individually owned Social Security accounts. If combined with appropriate long-term cost savings in the rest of the program, such a reform plan would do more to improve the outlook for future generations than any plan of debt reduction alone. Enacting a major tax cut now, however, could drain away resources that may well be needed for the costs of transitioning to a more sustainably and equitably Social Security system.

"The bottom line is that, at the moment, political leaders have no idea how to meet the long-term challenges that have been made for Social Security and Medicare, and no idea how to meet the tough discretionary spending caps on which the baseline surplus is premised. Major tax cuts should await the resolution of these issues. If the politically hard choices are not made before the easy ones, there is a very real danger that we'll end up with a surplus we don't really have," Bixby said.

The PRESIDING OFFICER. The Chair recognizes the Senator from Delaware.

Mr. ROTH. I yield myself 10 minutes.

Mr. President, my good friend and colleague, the Senator from Virginia, raised the question as to why a tax cut now, what is the hurry; the economy is doing well. Let me tell you why I think it is critical that we have a tax cut now. That is because the American family needs it.

In going home and talking to my constituents, talking to many families, whether they are farmers or small businessmen, or whoever they are, they are finding it hard to face the challenges of today. The cost of sending a child to college is increasing very rapidly and is taxing the typical American family. We provide relief in this package for the American family trying to send their children to college. They are trying to send their children to college today, not 5 or 10 years hence. That is the reason it is important.

I point out there is something like 42 million families without health insurance. There is no hurry to try to address that, as we do in this legislation? We provide that someone who is self-employed or an employee who works for a company that has no health insurance can take a tax deduction for their insurance. That is helping to provide access today. None of us know, whether we will be sick today, tomorrow, or in a week. There is a need for that today, not 5, 10 years from now.

What about savings? We all agree as to the critical importance of the two domestic programs—Social Security and Medicare. But to retire today, it is important people have savings, and that is the reason we have stressed so much the importance of pensions, the importance of IRAs, because if people are going to retire with dignity, they must have the opportunity to save not tomorrow, not 5 years from now, but today.

Marriage penalty: How many of my colleagues have gone home and talked to people about that? There is concern that taxwise it pays not to marry but to live in so-called sin. We take care of the marriage penalty. It is long overdue. We believe that there is good reason, if we are going to help the American family, let's help the American family today, not sometime in the distant future.

It intrigues me. People say delay the tax cut, it is not important. But what about spending? My good friend from Wyoming raised that point, and it is a solid one. If we are going to delay tax cuts, why shouldn't we say there can be no increased spending until we solve these two domestic programs? If it is fair for one, why isn't it fair for the other?

Then the point was made this tax cut is inflationary. That is hard to understand. In the year 2000, we are talking about a $4 billion tax cut. That is not very large when you stop and think that our GDP is $9 trillion. It is not very likely our tax cut in the next year or two is going to have a very significant effect on the economy. The larger cuts come down the road in the last 5 years. Sure, we may not like to vote for tax increases, but we have all done it in the past, and we will do it again if it is necessary, but this tax cut is very slow in developing into a major reduction for the American people.

I oppose the legislation for those reasons. I am a strong believer that we can have the tax cut, address the problems of Medicare, as well as Social Security. As I said, the new CBO estimate of the on-budget surplus over the next 10 years is $996 billion, while my bill returns most of this overpayment of taxes back to those who sent it to Washington, while at the same time it leaves enough money on the table for Social Security reform, $1.9 trillion, and Medicare reform, $505 billion.

As I said in the Finance Committee, I am committed to moving a Medicare bill through the committee after we return in September. It is my hope that comprehensive Medicare reform can be achieved, including providing for a prescription drug benefit, but it must be on a bipartisan basis and it must be done with White House cooperation.

The chairman's mark complies with the budget resolution. To this committee by reducing on-budget revenues by $792 billion over 10 years. This amount will allow up to $505 billion of the on-budget surplus to be dedicated to Medicare reform. The President's plan costs $118 billion over 10 years. Clearly, the $505 billion left on the table is more than sufficient to reform Medicare with a prescription drug benefit.

The Committee on Finance has held numerous hearings on Social Security over the past few years. Many of the members of the committee have offered comprehensive Social Security reform plans that, I have to say, are quite compelling. I do intend to return to Social Security after this recess and the Senate works its way through Medicare.

I oppose this amendment, and I firmly believe we can address all three—a tax cut, Medicare reform, and strengthening Social Security. I yield the floor.
Mr. ROBB. I thank the Chair. Mr. President, I want to respond briefly, if I can, to our distinguished chairman and friend from Delaware with respect to the question of timing.

The distinguished Senator from Delaware mentioned the fact that the tax cut this year is only $1 billion out of some $792 billion that is proposed in the bill. That is about one-half of 1 percent of the total promise that would be incorporated in statutory law if, for any reason, we are wrong. That is what we would have to find a way to change, against all of the forces that are normally arrayed against any tax increase.

Why squander the opportunity to pay down or at least begin to pay down the national debt—not just the publicly held debt, the national debt, the national unified debt? This is the first time in well over a generation there has been any opportunity to pay down the debt.

We are not proposing additional spending. I have not checked with my distinguished colleague from Florida for certain, but if the distinguished chairman of the committee were willing to accept an amendment that would suggest some similar restraint on spending which would correspond to the restraint we are attempting to place on cutting taxes, I will suggest to the chairman of the committee, I think we could find a way to make a deal.

We are not suggesting profligate spending. We are suggesting that we put that money in the bank, that we pay down the national debt.

Again, in terms of urgency, one-half of 1 percent is what we would do right now. But if the other 99.5 percent was left to be paid for over the 10-year period would be 3.4 percent of the national economy, and that is fairly close to it. Delaying it would not address the fundamental problems. It is not just a matter of time.

That is the reason I say that even if we put all this aside—we are throwing a lot of numbers around here—take all of it, pour it into Medicare and Social Security, you could not delay it a little longer. That is certainly true, but fundamentally there is no relationship between this Medicare/Social Security problem on the one hand and tax cuts on the other.

When I said that there is no relationship, it is a serious discussion about a serious problem. My only real disagreement is, are we doing the right thing by temporarily papering over the problem to extend it a few years, knowing that is not going to fundamentally solve the problem, giving us an excuse not to really address the fundamental problem or should we push and pressure ourselves to go ahead and address the fundamental problem? That is really the issue here today. I think that is where we have a disagreement.

The reason I said that was because of what the Comptroller of the United States said. In his testimony in July before the Finance Committee, he said: Even if all future surpluses were saved—

Taking every penny of the surplus, not one dime of tax cuts—

we would nonetheless be saddled with a budget over the longer term that the current tax rates could fund little else but entitlement programs for the elderly population.

Reforms reducing the future growth of Medicare, as well as Social Security and Medicaid, are vital under any fiscal and economic scenario to restoring fiscal flexibility for future generations of taxpayers.

That is the reason I say that even if we put all this aside—we are throwing a lot of numbers around here—take all of it, pour it into Medicare and Social Security, we can tell people we can do it, if we do it reasonably, is it really going to make a fundamental difference? Is it really going to make a difference that we would not address the fundamental problems?

Is it incumbent on us to have a temporary solution or to force ourselves to have a longer-term solution? I think it is the latter. That is kind of what it boils down to.

My friends talk about the size of this tax cut. The economy is projected to be $9 trillion next year. The net tax cuts next year alone are $4 billion, so the tax cuts are less than one-twentieth of 1 percent of the economy next year—less than one-twentieth of 1 percent.

I am told that the tax cuts over the 10-year period would be 3.4 percent of total Federal revenues, and it would be under 1 percent of the gross domestic product. So that is not a huge tax cut if you look at it under those terms, in terms of the share of the economy, especially in light of the fact that taxes, especially Federal taxes—especially Federal income taxes—are mushing as a share of our total economy. It is eating up more and more and more as a share of our total economy.

We may have good times now, but that is not guaranteed. We are in a world standing as an island, as it were, at the present time while those all around us have problems. Our friends in Africa, our friends in Japan, some of our friends in Europe, some in South America, all have economic problems. So we have to be mindful of that as we go along.

Quite frankly, there are some who say, when we have a deficit, certainly we can’t afford to cut taxes; we have a deficit. And listening to the debate today, apparently some of our same friends, when we have a surplus, say we can’t cut taxes because we really don’t know whether or not we will have the surplus. So that does not leave us much room for a tax cut.

I have enjoyed the debate. I yield the floor and thank the chairman and my good friends from Florida and Virginia for their thoughtful contribution.

Mr. ROBB addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Virginia.

Mr. ROBB. I will just respond to one point made by my distinguished friend from Tennessee. He was suggesting, correctly, that if we were to reserve, save, all of the surplus, we would not save Social Security and we would not save Medicare. We do not disagree. We concede.

Indeed, I suggest that that makes the case for why we believe we ought to save this surplus and, at the very least, not squander it, because it might increase the incentive to make those tough political choices we have not made to protect these two programs.

So saving all of the surplus is not going to save Social Security. It is not going to make Social Security solvent in the context that the Senator from Florida and I are discussing, nor is it going to make Medicare solvent in the context that the Chairman of the Finance Committee and others are suggesting.

But that is clear. By delaying the effective date of the tax cuts might give us some incentive, some focus, to conduct that hard, politically risky work that the Senator from Tennessee so accurately described it is going to take if we are to solve this problem with either Social Security or Medicare.

All we are saying is, let’s not squander this money. It isn’t just a matter of correcting it next year, it exacerbates the problem, because it is going to increase the amount of money we are going to have to carry in terms of the debt. So we are saying: Hang on; $4 billion, one-half of 1 percent; it is not worth locking in the kind of a tax cut some are suggesting until we’ve done first things first.

It has been a good debate. I am particularly grateful, first of all, to my friend and colleague from Florida for
his leadership and cosponsorship, and
to the distinguished chairman, who is
also good-natured—notwithstanding
differences we may have which may be
fairly significant, but I have never
heard a cross word uttered by him—and
to the distinguished Senator from Ten-
nessee for engaging in this dialogue
which I think does at least illustrate
the choice we are going to have to
make and the choice that, in fact, we
are asking our colleagues to make.

We are simply saying do not squan-
der the surplus by making this kind of
humongous tax cut this year when we
can wait until next year or the year
after and find out exactly where we are
going and, hopefully, increase the pres-
sure to actually save Social Security
and Medicare. With that, I thank the
Chair, and I thank my colleagues.

I ask unanimous consent that the
pending Baucus motion be considered
in order under the provisions of the
consent agreement and all other provi-
sions of the consent agreement remain
in status quo.

MORNING BUSINESS

Mr. ROTH. Mr. President, I yield
back the remainder of my time.

I ask unanimous consent that the
pending Baucus motion be considered
in order under the provisions of the
consent agreement and all other provi-
sions of the consent agreement remain
in status quo.

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

IN MEMORY OF KING HASSAN II
OF MOROCCO

Mr. HATCH. Mr. President, I rise
to recognize the death of the Arab world’s
longest-standing leader, King Hassan II
of Morocco, who died last Friday at the
age of 70. To his family, and to the peo-
dle of Morocco, I extend my heartfelt
condolences.

King Hassan ruled Morocco for 38
years as only the second King of Mo-
rocco in that country’s modern, inde-
pendent history, having succeeded to
his throne after the death of his father,
King Mohammed V, in 1961, only five
years after Morocco gained its inde-
pendence from the French.

Morocco, however, is an ancient
country and the country with which the
United States has its oldest uninter-
terrupted diplomatic relations. Our
two countries signed a Treaty of Peace
and Friendship in 1786, which the
United States ratified the following
year. Thus began a relationship that
provided our tall ships a haven in the
18th century and developed into a rela-
tionship of geostrategic importance in
the 20th century.

This special friendship was cherished
in modern times by leaders in both of
our countries, particularly King Has-

san, and I was pleased to see that
President Clinton, along with former
President Bush, attended King Has-

san’s funeral this weekend. America
lost a good friend, a wise counsel on
the region, and an important and brave
promoter for peace in the Middle East.

One of the biggest challenges for the
Arab world, as in other parts of the
world, has been the challenge of mod-
erization, and how leaders encourage
t heir governments and societies to rise
to this challenge.

We have seen several models: secular
socialist dictatorships, radical fund-
damentalist regimes, and traditional
authoritarian leaders. King Hassan, whose
remarkable career spanned from the era
of decolonization to the doorstop of the
next century, demonstrated that the
traditional model could adapt to the
challenges of modernization. He
understood that tra-
dition was not the enemy of the mod-
ern, but could ease the transition by
providing stability and respect for his
people while allowing political and eco-
nomic reforms to unleash the funda-
amental strengths and dreams of his
people.

For his adept stewardship, he earned
the deep and sincere affection of the
vast majority of Morocco’s nearly 30
million citizens.

Beginning as a traditional authori-
tarian, the King recognized the impor-
tance of constitutional governance
early in his reign and expanded politi-
cal rights through the years. In doing
so, he was one of the most successful
leaders in the Arab world in reconc-
iling traditional monarchy with the
requirements and demands of modernity.

He was dedicated to this mission for
decades, and it is quite unfortunate
that he could not live to see the final
outcome of his lengthy efforts.

He was a leader who led zakat—
tax—away from the traditional
fundamentalist regimes, and traditional
leaders in the Arab world in recon-

sidering the role that the
wielding demand for economic de-
velopment. These are extremely tough
challenges to burden a new and young
king. But let us recall the youth of
King Hassan when he assumed the
throne in 1961 and the misplaced doubts
about his future. We recognize today
the legacy of King Hassan to his son
and his nation.

The United States should assist in
the continuing modernization of Mo-
rocco and the ongoing cooperation
to create a more peaceful Middle East.

So should continue a special relation-
ship into the 21st century that began so
prophetically in the 18th.

THE DEATH OF KING HASSAN II
OF MOROCCO

Mr. ABRAHAM. Mr. President, I rise
today to honor the life of King Hassan II
and express my deepest sympathy
and condolences to the people of Mo-
rocco.

I have with a great sense of sadness
that I learned of the death of King Has-
san, a statesman, a peacemaker, and a
visionary. The King was beloved not
only by the Moroccan people, but by
people committed to peace throughout
the Middle East and around the world.
He was dedicated to this mission for
decades, and it is quite unfortunate
that he could not live to see the final
outcome of his lengthy efforts.

Many in my home State of Michigan
and throughout the United States
stand with the people of Morocco in
mourning the loss of this great leader.
My deepest and heartfelt condolences
go out to King Mohammed VI, the
King’s family and all the people of Mo-
rocco in these difficult times.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the
close of business yesterday, Tuesday,