

brehtaking technology. But it is also very expensive. In some ways, that is a sign of success, is it not? Thirty years ago, they would have been dead; dead, or in a wheelchair, or unable to see. The alternative? Remarkable, breathtaking achievements in health care and a Medicare Program that works. Expensive? Yes. Does it need adjustments? Of course. Should we make them? Yes.

But should we take from the Medicare Program substantial moneys so we can give a tax cut to some of the most affluent in the country? The answer, in my judgment, is no. That is not a choice that makes sense. That is not a choice that will strengthen this country or advance our interests.

We have about 2 or 3 months left in this session of Congress. The agonizing choices that all of us will make about what is important will be made, finally, in these appropriations bills and in the reconciliation bill. I come from a town of 300 people. My background is from a very small, rural community. I have no interest in being dogmatic or being an ideologue about one issue or another. But I do have a very significant interest in expressing the passion I have for the choices which I think are good for this country.

This country has to get out of its present economic circumstances, balance its budget, and make the right choices with respect to investments. I have not talked today about trade, but I will at some point in the coming days. We have to solve our trade problem. We are sinking in trade debt, and we are getting kicked around international marketplaces. We have to stand up for America's economic interests and change that. All of those things need to be discussed, debated, and resolved.

A lot of people wring their hands and grit their teeth because we have raucous debates about these things. These debates are good and necessary. I hope we have more and more divergent views brought to the floor of the Senate so we can understand the range of ideas that exist and select the best of them. Someone once said when everyone in the room is thinking the same thing, no one is thinking very much.

I do not shy from debate. I do not think it is unhealthy. But at the end of the debate, let us try to find out what is wrong in this country and fix it, and advance the economic interests to give everybody in America more opportunity in the future.

I yield the floor.

#### MORNING BUSINESS

Mr. DORGAN. Mr. President, I ask unanimous consent there now be a period for the transaction of routine morning business, with Senators permitted to speak for up to 10 minutes each.

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

The Chair, in his capacity as a Senator from New Hampshire, suggests the absence of a quorum.

The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

Mr. PRYOR. Mr. President, I ask unanimous consent I may proceed in morning business for up to 20 minutes.

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

#### TAX FARMING

Mr. PRYOR. Mr. President, yesterday, in the New York Times, on page 1, an article was written by Robert D. Hershey, Jr. I would like to extrapolate a few lines from this particular article, not only to bring it to the attention of our colleagues in the Senate, but also to bring it to the attention of the conferees who are now dealing with certain appropriations bills in conference at this time. That particular conference is certainly on the Treasury, Postal Service, and general Government appropriations bill.

There is stuck in this appropriation a sum of \$13 million. It does not sound like a lot when we start thinking about the billions and billions that we discuss on the floor of the U.S. Senate, but a \$13 million appropriation to initiate a program to utilize private counsel law firms and debt collection agencies in the collection activities of the Internal Revenue Service, as we know it, the IRS.

The first paragraph of Mr. Hershey's article in the New York Times yesterday states:

Congressional Republicans are poised to pass legislation requiring the Internal Revenue Service to turn over some debt collection to commercial interests, thereby giving certain private citizens access to confidential taxpayer information for the first time. . . . The Republican initiative, which would be limited initially to a pilot program, has raised alarms throughout the agency. "I have grave reservations about starting down the path of using private contractors to contact taxpayers regarding their delinquent tax debts," Margaret Milner-Richardson, the Commissioner of the I.R.S., said.

This was a statement written in a letter signed by Margaret Milner-Richardson, the Commissioner of the Internal Revenue Service.

For the last several years I have been one who has complained, I think fairly substantially and often, about some of the activities, and the heavyhanded activities, of the Internal Revenue Service. But I can say without reservation, this is an issue which Margaret Milner-Richardson, the Commissioner of the IRS, and myself, agree on 100 percent.

On the 12th of September, I, along with Senator ALFONSE D'AMATO of the State of New York, wrote a letter to the conferees relating to this par-

ticular conference, which is now in session. Senator D'AMATO and myself stated in the third paragraph, about this particular provision that now exists in the debate between the conferees—we wrote the following:

We are writing to express our concern regarding the possibility of inclusion of the House provision in the final bill and respectfully request your assistance to eliminate any provision allowing private bill collectors to collect the debts of the American taxpayer.

For over 200 years, when the Federal Government has imposed a tax, it has also assumed the responsibility and the blame for collecting [that tax]. In fact, we have an obligation to ensure that the privacy and the confidentiality of every American taxpayer is protected. Contracting out the tax collection responsibilities of government would be in contradiction of that duty, and would no doubt put the privacy of all American taxpayers in jeopardy.

Senator D'AMATO and myself continue by stating to the conferees:

While we are very concerned about the impact of the House provision on the rights of American taxpayers in their dealings with these private bill collectors, the Commissioner of the Internal Revenue Service has also raised serious questions about the provision. We, therefore, urge you to be persistent in your efforts to keep such a provision out of the final conference report.

The article, written in the New York Times yesterday, further States:

Such concerns are in spite of the bill's requirement that the private debt collectors must comply with the Fair Debt Collection Practices Act and "safeguard the confidentiality" of taxpayer data.

Mr. President, I have seen a lot of ideas in some 17 years in the Senate. But I have never seen a worse idea, an idea that was so misdirected, in my 17 years of service, as one that is being proposed to become the law of the land.

I would like to pose, also—or at least to make an observation. This is not a new idea of basically farming out some of our tax collections to the private sector. But I would say, in over 200 years of our Federal Government, we have never turned over the business of collecting taxes to the private sector. But I must point out, as I did in a floor statement on August 4, in the U.S. Senate, that this is a dubious practice and it is as old as the hills, and it dates back to at least ancient Greece. This practice of private tax collection even has a name. It is called, "tax farming," and its modern history is chronicled in a book authored by Charles Adams, a noted lawyer and a noted history professor. The book is named, "For Good And Evil, The Impact of Taxes on the Course of Civilization."

In this book, Charles Adams recounts many tales of how the world has suffered under the oppression of tax farmers. He specifically describes the tax farmers sent by the Greek kings to the island of Cos as thugs, and even the privacy of a person's home was not secure from them. He further notes that a respected lady of Cos around 200 B.C. wrote, "Every door trembles at the tax farmers." In the latter Greek and

Roman world, no social class was hated more than the tax farmer. The leading historian of that period described tax farmers with these words.

The publican keepers of the public house certainly were ruthless tax collectors, and dangerous and unscrupulous rivals in business. They were often dishonest and probably always cruel. Tax farming flourished as a monster of oppression in many forms in Western civilization for over 2,500 years, until it finally met its demise after World War I. Tax farming brutalized prerevolutionary France. The French court paid the price during the reign of terror when the people were incensed. They rounded up the tax farmers, tried them in the people's courts and condemned the tax farmers to death. Accounts of this time tell of the taxpayers cheering while the heads of the tax farmers tumbled from the guillotine.

In the 17th century, Mr. President, under Charles II in England, the King imposed a hearth tax assessing two shillings per chimney for each house. To collect it, the King did not have civil servants responsible to the King to collect from these private families. But he named individual tax collectors. They called them "chimney men." They went throughout England. These chimney men were ruthless, and they were hated by the people of England. The hatred of the privately collected tax helped depose Charles' brother, James II. And as soon as the new monarchs, William and Mary, were installed, the House of Commons abolished the tax ending a bond of slavery upon the whole people that allowed every man's house to be entered and searched and at the pleasure of people unknown to him.

Clearly, Mr. President, history has taught us that contracting out the tax collection responsibilities of a democratic government is not a good idea.

These are the questions that I would like to respectfully pose to our colleagues from the Senate and the House who now make up the conference on this particular issue and who are now debating what issues to include and to exclude. These are the questions that I respectfully think should be asked.

Who will these people be?

Which debt collection services will be hired?

How will they be hired?

Who will hire them?

Who will train them?

Who will oversee them?

Which taxpayers' cases will they work on?

What arena of confidentiality?

What standard, I should say, of confidentiality will be imposed upon these private debt collectors as they search through our private tax records?

What type of taxpayer information will be made available to these tax collectors?

How will that information be safeguarded, and how will the security and the privacy of these issues be retained?

How, Mr. President—and what a key question this is—are these private bill collectors going to be paid? Will they be paid 25 percent, 50 percent, and will

not this actually amount to a bounty hunter situation that we are creating within the Internal Revenue Service?

In 1988, I sponsored, with the help of many of my colleagues, the Taxpayer Bill of Rights. It was passed into law. One of the provisions that we were proudest of in the Taxpayer Bill of Rights No. 1—and now we hope to expand it this year into the Taxpayer Bill of Rights No. 2—in the Taxpayer Bill of Rights No. 1 was a provision that the Internal Revenue Service could no longer use quotas in which to promote or demote collection agents within the Internal Revenue Service. We said you have done it in the past but that day is over, and no longer can an IRS collection agent have his job or his salary or his position basically based upon how much he is collecting.

So, Mr. President, what we have is we may be on the eve of making an enormous mistake. It could be a mistake that we could never fix. I am very hopeful that the conferees on the Treasury, Postal, and general Government appropriations bill will take heed and will realize what history has to teach us about private tax collectors being hired to collect Federal debt.

Mr. President, I ask unanimous consent that the letter dated September 12 sent by Senator D'AMATO and myself to Senators SHELBY, KERREY, and the other conferees be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

U.S. SENATE,

Washington, DC, September 12, 1995.

DEAR SENATOR SHELBY AND SENATOR KERREY: Thank you for accepting our amendment to the Treasury, Postal Service, and General Government Appropriations bill which struck an appropriation of \$13 million to initiate a program to utilize private counsel law firms and debt collection agencies in the collection activities of the Internal Revenue Service.

A similar provision has been included in the final version of the House Treasury, Postal Service, and General Government Appropriations bill, which, as you know, will be a matter to be considered by House and Senate conferees at conference.

We are writing to express our concern regarding the possibility of inclusion of the House provision in the final bill and respectfully request your assistance to eliminate any provision allowing private bill collectors to collect the debts of the American taxpayer.

For over 200 years, when the Federal Government has imposed a tax, it has also assumed the responsibility, and the blame, for collecting them. In fact, we have an obligation to ensure that the privacy and confidentiality of every American taxpayer is protected. Contracting out the tax collection responsibilities of government would be in contradiction of that duty, and would, no doubt put the privacy of all American taxpayers in jeopardy.

While we are very concerned about the impact of the House provision on the rights of American taxpayers in their dealings with these private bill collectors, the Commissioner of the Internal Revenue Service has also raised serious questions about the provision. We, therefore urge you to be persistent

in your efforts to keep such a provision out of the final conference report.

If we may assist you in any way, please do not hesitate to call on us or our staff.

Sincerely,

DAVID PRYOR.

Mr. PRYOR. Mr. President, I ask unanimous consent that the article which I made reference to a few moments ago dated Tuesday, September 26, in the New York Times written by Mr. Robert D. Hershey, Jr., be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

G.O.P. WANTS I.R.S. TO USE OUTSIDERS  
BILL COLLECTORS WOULD HAVE ACCESS TO  
TAXPAYER DATA

(By Robert D. Hershey, Jr.)

WASHINGTON, DC, Sept. 25—Congressional Republicans are poised to pass legislation requiring the Internal Revenue Service to turn over some debt collection to commercial interests, thereby giving certain private citizens access to confidential taxpayer information for the first time.

The agency's appropriations bill, now stalled in a Senate-House conference over an unrelated issue, would provide \$13 million for the I.R.S. to test whether private bill collectors could do a better job than the agency's own employees, even though they would be denied such governmental powers as the ability to seize property.

The bill suggests a regional experiment, which would be likely to focus on individual returns, and directs that small collection agencies—perhaps even individual lawyers—be allowed to participate.

The Republican initiative, which would be limited initially to a pilot program, has raised alarms throughout the agency. "I have grave reservations about starting down the path of using private contractors to contact taxpayers regarding their delinquent tax debts," Margaret Milner Richardson, the Commissioner of the I.R.S., said.

In addition to privacy concerns, Ms. Richardson contends that the use of private collectors could further undermine public perceptions of the fairness of Federal tax administration.

But Congressional Republicans, sensing a negative public perception of the agency, are pressing the plan on a number of fronts. They rejected the Clinton Administration's request for an I.R.S. budget increase of nearly 10 percent, to \$8.23 billion, deciding instead to cut the I.R.S. budget almost 2 percent.

By a widely accepted rule of thumb, additional enforcers bring in five times their salaries. But Republicans, intent on reining in a symbol of big government, do not accept the argument of I.R.S. officials that spending more on the agency would help meet the goal of a balanced Federal budget.

Citing findings of the General Accounting Office that I.R.S. collections have slumped about 8 percent since 1990, Republicans led by Representative Jim Lightfoot of Iowa, contend that this reflects the I.R.S.'s "lengthy and inefficient collection process, which does not incorporate techniques used by the private sector."

Others have contended that a lack of diligence has allowed uncollected debts to swell to more than \$150 billion.

Farther down the Republican agenda are plans for an even broader assault on the tax agency. "The I.R.S. was never meant to be such an intrusive, oppressive presence in American life," Senator Bob Dole, the majority leader, told a Chicago audience recently in proposing a radical simplification

of the tax law that "would end the I.R.S. as we know it."

The attack on its budget has already prompted the I.R.S. to decide on a two-month delay in its Taxpayer Compliance Measurement Program under which it had planned, beginning next week, to select about 153,000 tax returns for intensive audits in a periodic effort to gauge sources of cheating and to develop countermeasures. Accurate targeting of enforcement efforts is crucial since routine auditing has slipped well below 1 percent of individual returns.

If the agency fails to get a bigger budget than the \$7.35 billion now scheduled, the I.R.S. will have to cut its 112,000-member staff by the equivalent of 7,000 employees; much of this would be by attrition and shorter hours for seasonal workers, Ms. Richardson said in an interview.

"No sound business person would not spend money to make money," she added, charging the Republican budget-cutters with pound-foolish penny-pinching. "I think you ought to look differently at the side of the house that raises money."

Privatizing the collection of delinquent debt was first proposed in early 1993 by the newly installed Clinton Administration but the idea went nowhere in a Congress then dominated by the President's fellow Democrats. However, many states use private companies to help collect taxes, according to the Federation of Tax Administrators. At least three states—Minnesota, Nevada and South Carolina—already use outsiders to collect money in person. And at least 10 other states hire private agencies to make telephone calls to delinquent taxpayers.

Moreover, some states, notably Pennsylvania, use private companies routinely to collect current, as opposed to delinquent, taxes.

The I.R.S. does use private companies for finding, say, the addresses of delinquent taxpayers, spending about \$5 million a year for such information, but this does not lead to direct contact with taxpayers by outsiders.

Frank Keith, an I.R.S. spokesman, said today that the agency had not yet developed any plans to carry out a debt-collection test, including what region might initially be involved.

Among those objecting to the idea was Donald C. Alexander, a Washington lawyer who served as I.R.S. commissioner from 1973 to 1977.

"Contracting out anything dealing with enforcement is absolutely absurd," he said, contending that it was improper for people "with a stake in the outcome" to collect the Government's taxes, whether on commission or under a contract they would presumably have an incentive to extend.

Such concerns are in spite of the bill's requirement that the private debt collectors must comply with the Fair Debt Collection Practices Act and "safeguard the confidentiality" of taxpayer data.

Passage of the legislation is being held up because of an impasse over an amendment from Ernest Jim Istook Jr., an Oklahoma Republican, to severely limit lobbying efforts of nonprofit, and therefore tax-exempt, organizations that get Federal grants.

The provision in the conference bill that would extend debt-collection authorization to private law firms as well as collection companies is backed by Senator Richard C. Shelby, an Alabama Republican. An aide said the Senator believed that many resources were needed to collect outstanding debt and that privacy concerns "are overblown by the I.R.S."

Mr. Keith estimated that about half the \$150 billion of receivables on the books at the end of the fiscal year 1994 was collectible; the rest has probably been lost because of bankruptcy, death or other reasons.

Mr. PRYOR. Mr. President, I ask unanimous consent that a letter sent to me dated August 4 written by Margaret Milner Richardson, the Commissioner of the Internal Revenue Service, expressing her strong opposition and the Revenue Service's strong opposition to even considering this practice be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF THE TREASURY,  
INTERNAL REVENUE SERVICE,  
Washington, DC, August 4, 1995.

Hon. DAVID PRYOR,  
U.S. Senate, Washington, DC.

DEAR SENATOR PRYOR: I am writing to express my concern regarding statutory language in the FY 1996 Appropriations Committee Bill (H.R. 2020) for Treasury, Postal Service and General Government that would mandate the Internal Revenue Service (IRS) spend \$13 million "to initiate a program to utilize private counsel law firms and debt collection activities . . .". I have grave reservations about starting down the path of using private contractors to contact taxpayers regarding their delinquent tax debts without Congress having thorough understanding of the costs, benefits and risks of embarking on such a course.

There are some administrative and support functions in the collection activity that do lend themselves to performance by private sector enterprises under contract to the IRS. For example, in FY 1994, the IRS spent nearly \$5 million for contracts to acquire addresses and telephone numbers for taxpayers with delinquent accounts. In addition, we are taking many steps to emulate the best collection practices of the private sector to the extent they are compatible with safeguarding taxpayer rights. However, to this point, the IRS has not engaged contractors to make direct contact with taxpayers regarding delinquent taxes as is envisioned in H.R. 2020. Before taking this step, I strongly recommend that all parties with an interest obtain solid information on the following key issues:

(1) What impact would private debt collectors have on the public's perception of the fairness of tax administration and of the security of the financial information provided to the IRS? A recent survey conducted by Anderson Consulting revealed that 59% of Americans oppose state tax agencies contracting with private companies to administer and collect taxes while only 35% favor such a proposal. In all likelihood, the proportion of those opposed would be even higher for Federal taxes. Addressing potential public misgivings should be a priority concern.

(2) How would taxpayers rights be protected and privacy be guaranteed once tax information was released to private debt collectors? Would the financial incentives common to private debt collection (keeping a percentage of the amount collected) result in reduced rights for certain taxpayers whose accounts had been privatized? Using private collectors to contact taxpayers on collection matters would pose unique oversight problems for the IRS to assure that Taxpayers Bill of Rights and privacy rights are protected for all taxpayers. Commingling of tax and non-tax data by contractors is a risk as is the use of tax information for purposes other than intended.

(3) Is privatizing collection of tax debt a good business decision for the Federal Government? Private contractors have none of the collection powers the Congress has given to the IRS. Therefore, their success in collection may not yield the same return as a

similar amount invested in IRS telephone or field collection activities where the capability to contact taxpayers is linked with the ability to institute liens and levy on property if need be. Currently, the IRS telephone collection efforts yield about \$26 collected for every dollar expended. More complex and difficult cases dealt with in the field yield about \$10 for every dollar spent.

I strongly believe a more extensive dialogue is needed on the matter of contracting out collection activity before the IRS proceeds to implement such a provision. Please let me know if I can provide any additional information that would be of value to you as Congress considers this matter.

Sincerely,

MARGARET MILNER RICHARDSON.

Mr. PRYOR. Mr. President, I have no further items to submit. I have no further statement to make. Therefore, I yield the floor.

I thank the President for recognizing me.

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

#### INTERNATIONAL TRADE

Mr. DORGAN. Mr. President, inasmuch as the Senate is in morning business, I would like to say a few words about the subject of international trade.

I, along with several of my colleagues, today had lunch with Eamonn Fingleton, the author of a new book called *Blind Side*, which describes in very interesting and provocative terms our trade strategy, our trade relationships with Japan and others.

It reminded me again of what is happening this year with respect to trade. Our fiscal policy deficit, the budget deficit this year will be somewhere around \$160 billion, we are told. Our merchandise trade deficit, however, will be close to \$200 billion, a new record, the highest in the history of this country.

When you talk about international trade, the minute you discuss it people begin to yawn. There is rarely thoughtful discussion about trade policy in this Chamber, or in the other body; rarely any thoughtful notion that I can discern in Washington, DC, about what our trade policy ought to be.

The minute you start talking about the fact that our current trade strategy is injuring this country, you get turned off. You are tagged as some sort of a protectionist, xenophobic stooge. There are two camps here in trade. Either you are a free trader, you have a world view, you think in global terms, or you are some sort of protectionist isolation xenophobic. Those are the two descriptions.

Let us evaluate that just a bit. What does a trade deficit mean? Why could people care about it? I have a theory about the sour mood about politics in this country these days. I have a theory that people are sour in this country because few in this Chamber, not Democrats nor Republicans, are addressing the central core of the issue that affects most families.