

So what do we need to do? Obviously, we need to balance the budget. We need to preserve, protect and strengthen Medicare. We need to reform welfare. And we need to—to the extent that we can do it after the budget is balanced—reduce the taxes on American families so they can spend more of their own money.

In this proposition, the tax cutting comes after the balanced budget is certified. That is the system. That is the plan that we have here. The benefits include lower interest rates for businesses, for families, and less expensive homes, cars, and student loans. The Senator talked about education. Student loans will be at a lower interest rate. There will be a higher standard of living. Some estimate there will be as many as 6 million more jobs. So we have to do this.

The best opportunity that we have had will be before us in the next 2 weeks. That is what the voters said to us last November. That is their expectation. That is our expectation—those of us, particularly, who have just come this year. We came with the commitment to fundamentally change the direction in which we are going. We came with a commitment to change the things the Senator was talking about—deficits for 25 years. The administration does not have a budget that will give us a balanced budget. The first budget was defeated 99-0. The second was not voted on. By CBO's own estimates, at the end of 10 years, it will still have a \$200 billion deficit.

So we can talk about the same things we have talked about forever. We can talk about all the reasons why this cannot be done. We can make excuses. But the real question is, is it fiscally and morally responsible to move toward a balanced budget in 7 years? If the answer is yes, then the opportunity arises before us in this next 2-week period.

Mr. President, I hope that my colleagues will take advantage of this opportunity and that, for the first time in a very long time, we will have changed the course of irresponsible spending and moved into a time of a responsible balanced budget.

I yield the floor.

Mr. GRAMS addressed the Chair.

The PRESIDING OFFICER. The Senator from Minnesota.

WHY AMERICANS NEED TAX REFORM

Mr. GRAMS. Mr. President, I have been sitting here listening earlier tonight to some of my colleagues on the other side of the aisle talking about the numbers and problems associated with trying to balance this budget over the next 7 years, and while they have been laughing and telling jokes, not just tonight, but for the last 30 years, they have buried the American taxpayer \$5 trillion in debt. It would be funny, maybe, if it were not so serious.

They talk about the Social Security trust fund and that Republicans are

spending every dime to balance this budget over the next 7 years. But what they fail to tell you is that they have endorsed this same practice for years. In fact, this year alone, the budget that the President of the United States that they passed in 1993 spent every dime of the surplus out of the Social Security trust fund, which, by the way, under law, can only be invested in U.S. securities, backed by the Federal Government. So that money goes to the Treasury, and it has been spent by the Congress ahead of us, by the Democratic majority. It has been spent away. So when they talk about the Republicans using every dime from the Social Security trust fund, they should look at their votes in 1993, as their President tried to mask the deficit in the budget by using those trust fund dollars.

In fact, the deficit touted today by this President of \$170 billion actually is using \$68 billion of Social Security trust fund money from this year. Otherwise, he would have to report a deficit of about \$240 billion. This Congress has inherited the troubles created over the last 30 years. It would have been a lot easier, especially politically, if we could have just continued this huge giveaway. But it would have been at the expense of the next generation. It was time to stand up and look this problem in the face and make some of those tough decisions.

The Democrats talked about the drastic cuts. Just a few moments ago, my good friend from Arkansas talked about fewer dollars for education. Well, these are the first signs of the problems we are facing today because of the last 30 years and the spending spree that this Congress has been on.

The Democrats have pre-spent those dollars that could be used today for education, and if we do not get this budget under control today, next year those problems are even going to be worse, and we are going to be talking about other programs that are not going to have the dollars because they are going to pay interest and other expenses.

So we do have to make some very serious decisions, Mr. President. Otherwise, our next generation, and the generation after, are going to have to pay for the mistakes we have made, and we should not leave them, financially or morally, that way. It is wrong to do that. This is the first good attempt to put a balanced budget in place that is going to make sure that we do not leave our children with our debts.

Mr. President, as we begin debating the tax policy, including a \$245 billion tax cut, I believe that the time has come to also begin some serious discussions about how best to reform our badly outdated Tax Code itself.

Since 1913, when Congress first gained the power to impose taxes on income, the Tax Code has been manipulated and expanded so many times by Congress that it has become the great-

est barrier between the American people and their Government.

Every segment of society has a reason to complain about the Tax Code. For individuals and families, the cost of complying with the Tax Code too often becomes the difference between making it in America, and just making do.

I have spoken several times on the Senate floor about a young Minnesota family, the Wolstads, who represent the very frustrations felt by millions of Americans when it comes to the topic of taxes.

Natalie Wolstad wrote to me about the enormous tax burden her family is forced to bear, a burden she and her husband did not fully appreciate until they met 1 day with their realtor, and learned they simply could not afford to purchase a new home on their own.

Countless other Minnesota families have sent me letters sharing similar stories of their own.

They were trying to decide, "Where are we spending our money foolishly?" When they finally looked at their pay stubs, they were seeing how much money was being taken from them in taxes.

Yes, the Tax Code is tough on families, and it is equally hard on America's job providers—small businesses and large.

When nearly 2,000 entrepreneurs gathered in Washington this summer for the third White House Conference on Small Business, they came with hundreds of ideas on how to make Government more responsive to the people who create the jobs on Main Street.

Although their suggestions covered an enormous range of concerns, one point generated near-universal agreement: something must be done about the complex and costly Federal tax system.

If Congress is truly serious about answering the calls of help from the American people and reforming the tax system, there are three distinct problems which must be addressed.

First, taxes are too high. That is something President Clinton acknowledged this week, when he admitted that the recordbreaking tax increase he pushed through Congress in 1993 was too much for the American people.

Under the headline in the paper "Tax Rise," "too much," President Clinton concedes. But he did take time to blame the Republicans for it. That is at a time when the Democrats controlled every branch of Government—the House, the Senate, and the White House. I welcome the President's realization, but I wish it had come before he signed the \$255 billion tax hike into law.

The first step toward building a better Tax Code is to look at the role of the Federal Government and let the people start keeping more of their own money, which they work for.

After all, it does not belong to the Government in the first place. And who

is in a better position to make a family's spending decisions and set their financial priorities—Washington, or the family itself?

Clearly, that responsibility belongs with the family.

We have the opportunity to take that first step in the next few weeks, by passing a \$245 billion tax cut which includes the \$500 per child tax credit I authored and have fought for over the last 3 years.

I welcome President Clinton's support for tax relief, and urge him to join our efforts. By letting taxpayers keep what is rightfully theirs, we send a strong message that our efforts to balance the budget will always make taxpayers the first priority—not the last.

The second area we must address when discussing reform of the Tax Code is simplification—and simplification must be at the heart of any plan Congress considers.

There is nothing simple about our tax system anymore.

The IRS manages a library of 437 separate tax forms and mails out 8 billion pages of tax instructions every year.

The distinguished House majority leader, Representative ARMEY of Texas, points out that American workers and businesses spent 5.4 billion hours in 1990 just preparing their taxes—more time than it takes to build every car, truck and van manufactured in the United States each year.

This Congress has made shrinkage and simplification its primary goals, and there is nothing that needs it more than our current tax system.

Today's Tax Code may be good business for tax lawyers and accountants, but it is not good policy for the average American taxpayer.

Tax reform must include tax simplification.

The final consideration in building a better Tax Code is making it fairer and more equitable for the taxpayers. Far too often, the current system is not.

The Government continually manipulates the Tax Code—not just to fund Government objectives, but to micromanage the economy and the activities of the taxpayers.

If the Government wants to encourage a particular behavior, it offers a tax benefit.

If it wants to discourage a particular behavior, it sets a tax penalty.

The social engineers have had a field day with the Tax Code. Fairness seems to have been left by the wayside, and families are paying the price.

Look how they have been manipulated through the tax system.

Families, who in 1947 paid just 22 percent of their personal income in the form of taxes, today send nearly 50 cents of every dollar they earn to Federal, State, or local government.

As someone who ran for Congress because of high taxes and what they are doing to this Nation, I am incensed that middle-class American families are being asked to bear the brunt of our enormous tax burden, and then lis-

ten to some Senators say that we have to increase taxes more.

In fact, families with children are now the lowest income group in America—below elderly households, below single persons, below couples without children.

In 1950, the average American family sent \$1 out of every \$50 it earned to Washington—today, the average family sends \$1 out of every \$4 to feed the Federal Government.

The marriage penalty targets families by taxing them at a higher rate than it does single filers.

And if the dependent exemption had kept up with inflation, it would be more than \$8,000 today instead of just over \$2,000.

The message we're sending through our tax policy is that families are just not as important today as they were in 1950.

That message must change.

We have the opportunity and responsibility in this Congress to repair the fractured relationship between the Government and its owners—the taxpayers.

It is time we started to talk seriously about cutting taxes, simplifying the system, and making it more equitable.

A recent *Forbes* magazine cover story called tax reform a "broad political movement, gaining in popularity the way a hurricane gathers force as it heads for land."

The questions we should be asking ourselves are not will we ever break form the past and will we ever have a Tax Code that treats all Americans equitably, but rather when.

Mr. President, the answer to that question is now, and the Senate Finance Committee has taken an enormous step toward reaching that goal with its \$245 billion tax cut package.

By cutting taxes for families and job-providers, simplifying the way those taxes are collected, and ensuring a process that's fair, reforming the tax system will go a long way toward making government more accountable to the people.

Washington needs to be reminded that the money it collects is not theirs by right—it is collected for use at the will of the taxpayers. And Congress needs to be reminded daily that it represents the taxpayers.

The success of our efforts to reform the tax system won't be measured solely by how much of their own dollars Congress allows families and job providers to keep. It will also be measured by how equitable the system is, and how the taxpayers fare under it.

If we can successfully accomplish all of that, then we will have heard the message of last November and delivered on the solemn promises we made to the American people.

Mr. President, it is time that we get behind this effort. It is time that we balance the budget and stop passing our deficits on to our children and grandchildren.

Thank you very much. I yield the floor.

Mr. KYL addressed the Chair.

The PRESIDING OFFICER. The Senator from Arizona.

BUDGET FANTASY VERSUS REALITY

Mr. KYL. Mr. President, I would like to continue discussing the same subject that the Senator from Wyoming and the Senator from Minnesota have been discussing, and to do so by, first of all, focusing on some of the myths that have been created by the President and by some of his supporters here in the Senate. I am talking about the difference between the budget fantasy and the reality that faces us here today. It is almost an "Alice in Wonderland" exercise where words take on meanings that are only in the eye of the beholder and have no relationship to actual reality.

Frankly, they are the last desperate attempts by proponents of big Government to cling to the status quo, which means more spending, higher taxes, and greater regulation. That is really what this exercise in opposition to a balanced budget and tax cuts is all about.

Many of the Democrats cannot believe, let alone accept, that the American people overwhelmingly rejected their approach to governing in that way in last fall's election. Rather than attempting to fulfill the mandate which the American people gave us, they are now cynically pandering to the mandates while doing everything they can to undermine it.

In this topsy-turvy "Alice in Wonderland" change, the meaning-of-words situation they have created, spending cuts are increases; spending increases are cuts. For example, claiming that a Medicare spending increase of \$2,000 per person over the next 7 years is actually a cut when, in fact, it is a \$2,000 increase.

Tax cuts, they say, are spending increases. Tax relief for families become tax cuts for the rich. A volunteer in AmeriCorps is actually paid by the taxpayers \$20,000, \$30,000, or \$40,000 a year. Tax payments, the President says, are contributions. Preserving Medicare is slashing Medicare. And, of course, bankrupting Medicare is saving it.

President Clinton is even now so bold as to blame Republicans, not a single one of whom supported his budget in 1993, for forcing him to raise taxes. It is like "the old devil made me do it" skit that we used to see on TV. He says he wishes he had not increased the taxes. I, too, wish he had not increased taxes. But at least our attempt to reduce taxes by \$245 billion is a beginning, a partial rollback of this tax increase which he now wishes he had not imposed upon the American people.

Here are some examples of increases that the Democrats claim are cuts.

The Republican Party has said all year that we would not balance the budget at the expense of Social Security. The budget reconciliation bill will