

\$250,000. Although we will have to wait until data are available for 1994 to see the effect of that extra tax rate rise, the evidence for 1993 suggests that taxpayers' responses to the higher marginal tax rates would cut personal income tax revenue by so much that the net additional revenue from eliminating the ceiling on the payroll tax base would be less than \$1 billion.

All of this stands in sharp contrast to the official revenue estimates produced by the staffs of the Treasury and of the Congressional Joint Committee on Taxation before the 1993 tax legislation was passed. The estimates were based on the self-imposed "convention" of ignoring the effects of tax rate changes on the amount that people work and invest. The combination of that obviously false assumption and a gross underestimate of the other ways in which taxpayer behavior reduces taxable income caused the revenue estimators at the Treasury to conclude that taxpayer behavior would reduce the additional tax revenue raised by the higher rates by only 7%. In contrast, the actual experience shows a revenue reduction that is nearly 10 times as large as the Treasury staff assumed.

This experience is directly relevant to the debate about whether Congress should use "dynamic" revenue estimates that take into account the effect of taxpayer behavior on tax revenue. The 1993 experience shows that unless such behavior is taken into account, the revenue estimates presented to Congress can grossly overstate the revenue gains from higher tax rates (and the revenue costs of lower tax rates). Although the official revenue estimating staffs claim that their estimates are dynamic because they take into account some taxpayer behavior, the 1993 experience shows that as a practical matter the official estimates are close to being "static" no-behavioral-response estimates because they explicitly ignore the effect of taxes on work effort and grossly underestimate the magnitude of other taxpayer responses.

If Congress had known in 1993 that raising top marginal tax rates from 31% to more than 42% would raise less than \$7 billion a year, including the payroll tax revenue as well as the personal income tax revenue, it might not have been possible for President Clinton to get the votes to pass his tax increase.

Which brings us back to President Clinton's own statement (half-recanted the next day) that he raised taxes too much in 1993. Congress and the President will soon be negotiating about the final shape of the 1995 tax package. The current congressional tax proposals do nothing to repeal the very harmful rate increases of 1993. Rolling back both the personal tax rates and the Medicare payroll tax base to where they were before 1993 would cost less than \$7 billion a year in revenue and would raise real national income by more than \$25 billion. Now that the evidence is in, Congress and the President should agree to undo a bad mistake.

Mr. BENNETT. I suggest to you, Mr. President, that we need to pay close attention to what happens when tax rates are cut. It is the same thing that happens to a well-run business when prices are selectively and intelligently cut on certain products. If we cut the tax rate on capital gains, which is where most of the heat is coming from on the other side of the aisle, I am willing to bet a fairly substantial amount of money that we will see Government revenue from capital gains go up and not down.

Is not that what we are after? We want to balance the budget. We want

more revenue, do we not? We ought to do that which will bring in more revenue. And the way to bring in more revenue is to cut prices on the products that are slow moving.

I tell you, Mr. President. Ever since we raised prices on capital gains by increasing the capital gains rate, the Government revenue from capital gains has been going steadily down. And any decent business person will tell you we made a mistake with that price increase.

We ought to cut the price back to where it was before, and people will start buying our widgets again. We ought to cut the capital gains tax rate back down to where it was before. I will tell you the figure that I will settle for, Mr. President. I will settle for the figure on capital gains proposed by John F. Kennedy, President of the United States. He wanted a capital gains rate lower than the one we are paying today and nobody accused him of trying to throw widows and orphans out into the street, or little children being driven away from their school lunches when John Kennedy proposed a cut in the capital gains tax rate. His cut was passed. And what happened when they cut prices on that particular governmental service? The revenue from capital gains went up.

What is the objection? As nearly as I can tell, the only objection to the Government getting more money from people who have capital gains is that the people who have capital gains are supposedly the wealthy. I will not argue with whether they are the wealthy or not. We can do that at another time. And there are plenty of charts to indicate that that is not the case.

The point I am making is this. If I am a businessman and I wish to increase my bottom line, I really do not ask whether or not the customers who are benefited from my cutting prices are rich or poor. I really do not care. All I want is enough money to keep my doors open. I do not think the Government ought to really care whether the people who benefit from a capital gains tax cut—in the rate—are rich or poor as long as the Government gets more money.

I was not sent here by the voters of Utah to punish or reward. I was sent here to balance the budget, and one of the ways I balance the budget is to get more revenue to the Government. And one of the ways I get more revenue to the Government is to cut the prices on capital gains transactions so that more people will do more of them and the economy will grow and the Government will get more money.

So I say to those who are hung up about tax cuts and tax increases and who we are hurting and who we are helping, will you change your focus just a minute and ask who you are here to represent and what your assignment is. Your assignment is to get the Government's fiscal affairs in order, and if that is done everybody benefits. And if in the process of getting more revenue

into the coffers you happen to help somebody who probably does not need help in terms of his own personal financial circumstances, do not let that bother you. Go ahead, take his money anyway. Go ahead, balance the budget anyway, even if somebody who is rich now happens to benefit by the fact that you are balancing the budget and making life more secure for everybody else. Look the other way and take his money anyway. If we did that around here, I think we move toward solving the problem.

I thank the Chair for his patience. I realize this is not the most stimulating conversation in the world because we are here, frankly, waiting on a group of negotiators to try to solve their problems. And the only comment I would give to them would be this one. You have made your point. You have shown how tough you are. You have shut the Government down. Everybody knows you are powerful. Will you please start to negotiate, having made your point, and let us get on with it.

Mr. President, I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

BUDGET NEGOTIATIONS

Mr. WARNER. Mr. President, I have personally been heartened by the signs of progress we have witnessed since the budget crisis and the Government shut-down the week before Thanksgiving. The Congress and the White House have been at the bargaining table. Additional appropriations bills have been signed into law, and new estimates from the Congressional Budget Office have offered the promise of greater flexibility. I thought these new estimates would have provided the flexibility in setting our budget priorities, and yet we are again faced, unfortunately, with the prospect of a gridlock. Indeed, it is taking place as I am privileged to address the Senate this afternoon.

The congressional leadership has been deeply disappointed with the lack of a substantive balanced budget from the White House, that is, the Republican congressional leadership. Promises in good faith have been made for 25 days under the last continuing resolution only to have unworkable solutions presented in the 11th hour by the President and his representatives. The Republican leadership, if it is to remain true to its pledge to the American people to balance the budget, has been left with little choice. The Congress and the White House agreed that a 7-year balanced budget plan based on CBO numbers would at least be agreed upon, and I was privileged to have been a

part of those negotiations some several weeks ago. It was absolutely clear that it would be a 7-year balanced budget. That was the condition for the last short-term spending bill, and that condition, despite our efforts, has clearly not been met.

The remaining Federal offices regretfully now to be subject to a possible shutdown during the course of this weekend include the U.S. Department of Commerce, Education, Interior, Health and Human Services, Labor, State, Housing and Urban Development, Veterans, and Justice, as well as certain sections of EPA, NASA, and federally funded functions in the District of Columbia.

Mr. President, again, it is my privilege to represent many of these people who live in the Commonwealth of Virginia, and I am deeply concerned and express my compassion to them. But if an agreement is not reached, workers in all these categories again are to be held, as some would say, hostage by the continuing budget crisis. Personnel performing vital emergency functions will come to work and not be paid, and all staff involved in nonemergency functions will be asked to stay at home. These individuals, both in Virginia and across the Nation, have my pledge that I will work once again, as I did during the last budget crisis, to ensure that they will be made whole financially for any lost compensation. I also offer my pledge that their sacrifices will not have been made in vain.

The Federal Government is in a state of budget crisis, as I said, and it is becoming increasingly difficult to patch together these short-term resolutions.

It is my hope, however, that this weekend that can be achieved, and that all Federal workers, indeed all Americans will recognize the unprecedented confrontation taking place between the White House and the Congress and demand that good faith bargaining be resumed.

The Republican leadership of the U.S. Senate has had its sleeves rolled up for weeks—Senator DOLE, Senator DOMENICI, and I particularly want to pay my respects to Congressman KASICH of the House. They were making enormous efforts to address the differences expressed by the White House in a desire for the 7-year balanced budget plan. That 7 years is absolutely the bedrock; it is not movable. It is not changeable.

Federal employees should know that this is serious business of the first order and not just some new form of politics. Our ultimate objective is a balanced budget agreement. This is important, not only to the Republicans in Congress, but also to Americans everywhere, particularly children and future generations.

I recently received a position paper from the Chamber of Commerce of Staunton-Augusta County in my State of Virginia. This states far more eloquently than I could the need to stay the course, stick with the balanced budget and stay the course, 7 years.

Mr. President, I ask unanimous consent that that position paper be printed in the RECORD at the conclusion of my remarks.

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

(See exhibit 1.)

Mr. WARNER. When we finally achieve the balanced budget agreement, the Nation's house will, hopefully, be put back in order. We want that stability to be one that will last, not just weeks, but to protect our future generations.

Mr. President, I yield the floor.

EXHIBIT 1

STAUNTON-AUGUSTA COUNTY
CHAMBER OF COMMERCE,
Staunton, VA, Nov. 7, 1995.

POSITION PAPER

Subject: Balanced Budget.

Position of: Government Relations Committee.

Background:

The economic case for reducing the Federal budget deficit is compelling. Despite this fact, since 1985 neither normal processes of government nor extraordinary statutory restrictions imposed on the budget process have succeeded in reversing the deficit's long-term upward trend. In fiscal year 1994, the total federal deficit was \$203.4 billion and the gross federal debt was \$4.6 trillion, according to the Department of the Treasury. Because of the deficit and the mounting interest which must be paid, money is diverted from investment in the private sector, economic growth is inhibited, productivity is reduced, and export becomes more difficult. This situation threatens the standard of living for future generations.

In June 1995, both houses of Congress passed the FY 1996 Budget Resolution which calls for a balanced budget in 7 years (2002) while providing a \$245 billion tax cut. The resolution provides that tax cuts will be available only after congressional committees produce enough spending cuts to balance the budget by fiscal year 2002. Proponents believe the 7-year approach provides the right balance between easing economic adjustments while maintaining the credibility of the government's deficit reduction plan. Opponents believe that this plan is too aggressive and should be phased in over a longer period.

Committee Position:

Moving spending from government to the private sector will enhance saving and investment, boost productivity, and increase the economy's trend rate of growth. Reducing government waste means greater long-term benefits which in turn will create more businesses and greater purchasing power for American households.

Recommendation:

A balanced budget and deficit elimination are vital for our nation's future. The Board of Directors of the Staunton-Augusta Chamber of Commerce reiterates its support for the passage of a balanced budget.

Mr. WARNER. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is now closed.

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES APPROPRIATIONS ACT, 1996—MOTION TO PROCEED

The PRESIDING OFFICER. The Senate will resume consideration of the motion to proceed to H.R. 2127, which the clerk will report.

The assistant legislative clerk read as follows:

A bill (H.R. 2127) making appropriations for the Departments of Labor, Health and Human Services, and Education, and related agencies, for the fiscal year ending September 30, 1996, and for other purposes.

The Senate resumed consideration of the motion.

Mr. HARKIN. Mr. President, I am sorry that we find ourselves in this present situation. I had thought that we could have worked out an agreement on Labor-HHS appropriations, whereby we would not be faced, again, with another cloture vote on it, but that we could have agreed to have brought up the bill and perhaps even passed it by voice vote.

There have been, I know, a lot of discussions. I know my colleague, the Senator from Pennsylvania, Senator SPECTER, who is the chair of the Appropriations Subcommittee on Labor and Health and Human Services, has been working very diligently to try to get an arrangement whereby we might bring this bill up and expeditiously move it so we can get together with the House and try to work out our differences.

This is an important bill. It is the second largest appropriations bill, second only to defense. It covers not only all of the Department of Labor, job training programs, but it also covers education, all the education programs—everything from title I to college student aid. It covers Health and Human Services, everything from Head Start to funds for the operation of the Social Security system and Medicaid, plus a lot of related agencies, including the National Institutes of Health and biomedical research. Yet, this bill languishes because of the determination of a few to attach riders to it, riders that have no business being on Labor-HHS, riders which should be brought up in the context of an authorization and not an appropriations bill.

Now I note for the RECORD, Mr. President, that other riders that have been put on other appropriations bills have been taken off, clearing them for approval to be acted on and sent down to the President. I will just mention three. The Treasury-Postal appropriations conference agreement, they dropped their effort to attach the so-called Istook antilobbying rider. Once this was taken off, it cleared the bill for approval and was sent down to the