

lower of both offers that have been laid on the table in the last meetings that occurred on the balanced budget.

We are not so far apart. But the major difference is over the tax cut, about \$130 billion extra in tax breaks especially for upper income people. I am not talking about the lower tax cut for children. I am talking about the upper income tax breaks in the corporate welfare area and \$132 billion in extra cuts for Medicare, Medicaid, and the earned income tax credit. That really represents the see-saw, the difference between the two positions in negotiations.

There ought to be a way to bridge that, and I hope there will be. I hope, in the next month or so, this issue will be put behind us and we will have balanced the budget and we will have balanced the budget with a plan that does it in the right way for this country.

#### FLAT TAX

Mr. DORGAN. Mr. President, in just a couple of moments I wanted to make an observation about the topic of the week last week, and I expect the topic for the next couple of months, that will generate a lot of interest. That is the so-called flat tax, or the "Grey Poupon plan," I call it. The flat tax is a fascinating one. I call it that because it is kind of entertaining, always, for someone who comes from a small town of 300 people to watch a debate between millionaires and billionaires about who can propose a tax plan that will allow investors to get to a zero tax rate the most quickly.

We have the Armey plan, the Forbes plan, and some others. I just wanted to mention, in case people hear about flat taxes and they think, "Gee, that sounds like a good idea, flat, curved, rolling hills, up or down," I mean, I do not know what the geometry of all of this is. But if you think that we should not allow a deduction for your home mortgage interest on your tax return, then you would really like the flat tax because the flat tax says you cannot deduct your home interest mortgage. If you think you ought to be required to take your fringe benefits, like your health insurance that your employer might provide and now start paying taxes on that, declare it as income and pay taxes, then you would really like the flat tax because that is what you would have to do. No home mortgage interest deduction, no charitable deduction, and they would take all your fringe benefits, add them up, and you start paying taxes on that income.

Then they say flat tax, except it is not flat. It is a tax that has a flat rate for those who work and a zero tax rate for those who invest. Here is the way it works. You go to work every day and work and you are going to pay whatever flat tax rate they talk about. But if you happen to have an enormous amount of money and your income comes from dividends and interest and you make \$10 million a year in divi-

dends and interest and capital gains, your tax rate is not flat, it is zero—zero. So it is not appropriately called a flat tax. It is flat for people who work and zero for people who invest.

That might sound good, I guess, if you are a millionaire or billionaire and you might debate, if you are a millionaire or a billionaire, about which plan gets you to a zero rate first. But, in my judgment, the more the American people dissect this they will understand more what Mr. Forbes and others are talking about, that they really want to say, if you work for a wage you pay an income tax, but if you get your money through capital gains or interest or dividends and get \$10 million a year or \$1 million a year or \$50 million a year, guess what, you do not have to pay taxes in this country because you are going to get an exemption.

I tell you, I think our tax system is frightfully complicated. It needs to be radically simplified. But we do not need a plan that says, if you work you pay taxes, and if you invest you have a massive exemption. That is not a fair tax plan. They might call it flat, but it is flat and no tax, a flat tax and no tax, flat tax for those who work, no tax for those who invest. I think when the American people dissect it and take a good look at it, they are going to say, no, let us radically simplify the tax program, but let us have everybody pay a little something. If you make \$10 million from interest, dividends, or capital gains, you pay a tax. Maybe it is flat, maybe it is not, but it seems to me everybody ought to contribute.

I find it interesting in this discussion that we always hear people say, "Why should you penalize success?" Whenever they use those terms, they all define success as someone who has had a capital gain or gets a dividend or interest. What about the success of someone working? What about someone who goes to work every day all year and takes care of his or her family and earns a wage; is that not success? Of course it is. Working is achieving success as well. Work, investing, managing, entrepreneurship, all of that is success. It is not just investment that is successful. Work is successful. Let us just make sure we have a tax system that recognizes that all of those folks in this country are successful.

We do not want to create a circumstance where we say America has an income tax, but it only applies to those who work for a wage. Those who are fortunate enough to have inherited \$100 million or reached a position in life where they have \$50 million and they collect \$1 million or \$10 million a year in dividends, they have decided that they do not have to pay taxes.

So I hope, as we think through this this year, that we will come to an understanding of what all these proposals are and how they affect various parts of this country.

Let me end where I began, Mr. President. I know that no one is waiting for time, and you have been generous with the time today.

I hope that all of us, no matter how passionately we feel about all of these issues this year, will decide that we can work together. We might have deep disagreements about a lot of issues. But democracy only works if all of us in this room decide to work together to try to bridge our differences. We can spend all of our time building walls, or we can spend some of our time starting to build bridges. It makes a whole lot of sense for us to tone down the rhetoric just a bit and have the deep disagreements and work through these things but start solving problems for the American people rather than creating problems for the American people.

I hope that at the end of 1996 the legacy will have been that we turned the corner and created a much more productive role in the life of this country than we did in 1995.

Mr. President, I yield the floor.

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

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

Mr. MURKOWSKI. Mr. President, I ask unanimous consent that I may speak as in morning business for a few minutes.

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

#### THE PRESIDENT'S BUDGET PROPOSAL

Mr. MURKOWSKI. Mr. President, I recently returned from my State of Alaska, where I had the opportunity to speak to our legislature in a joint session and visit constituents in Juneau, Anchorage, and Fairbanks.

Mr. President, what I heard from my constituents was, I think, best reflected in their inability to simply understand why we could not reach an accord on a balanced budget. We have seen from the administration several budgets come before the Congress. I think we all recall the first one that came before this body, which did not receive one vote, neither Republican or Democrat.

Subsequently, we have had a series of more than five budgets, until the administration has progressed to the point where they claim they have submitted a balanced budget. But virtually everyone is aware of the reality that the sixth and seventh years are where the Clinton cuts occur. As a consequence, I think it is fair to say that virtually everyone who analyzes that proposal finds it unrealistic.

It is unrealistic for two reasons. First of all, in the sixth or seventh year, whatever Members are in office clearly are not going to have the ability to make those cuts in just 2 years. Those are going to be draconian cuts,

and the political fallout, obviously, will make such cuts unacceptable.

The other realization, Mr. President, is that regardless of the outcome of the Presidential election, President Clinton will not be in office when those cuts arrive in 2001 and 2002. Nor will he bear any responsibility as a President in office.

So what the President has sent us is basically a proposal that amounts to a charade because, as you and I both know, if you are going to be realistic, you are going to have a proportionate reduction in each of those 7 years so you can reach a balanced budget in the seventh year. It just points up another instance where we will do anything or go to any length to ensure that we do not have to make the tough decisions up front, take the tough medicine and address the cure up front.

I think it is fair to say we all know from our own personal experience if we have a tough situation, you make the decisions early and do not put them off. That is just what has happened with the President's proposal, where in the 7-year so-called balanced budget, all the cuts are basically in the last year.

Now, Mr. President, we are going into a situation on January 26 where we will have to address the merits of reauthorizing the extension of Government to operate. And then, by probably in March, we will have to face the reality that we will have to increase the debt ceiling.

As we reflect in the extended debate and discussion in this country over the balanced budget on the one hand, and then find that in order to keep Government from being in default, when one thinks of the merits of that, the Federal Government being in default, by increasing the debt ceiling from the current authorization of \$4.9 trillion, it really marks the reality of the seriousness of the problem.

Make no mistake about it, Mr. President: We are in dire straits. It is one thing to talk about the \$4.9 trillion debt, which is the maximum debt ceiling; the other is to recognize we will be asked to increase that to \$5.3, \$5.4, or \$5.6 trillion.

That is not the end of it, Mr. President. The realization is we have to pay interest on that debt, and the interest, Mr. President, currently is more than our annual deficit. Think about that. The interest on the \$4.9 trillion is more than our annual deficit, and our annual deficit is a consequence of spending more than we generate in revenue.

A member of my staff is expecting a child in May. It is estimated that this child will inherit approximately \$158,000 as his or her portion of that accumulated \$4.9 trillion. Now, if we do not turn this thing around now, Mr. President, at some point in time it will be too late.

I know there are many Members here who feel very strongly that they are not going to vote for an increase in the debt ceiling unless there is a commit-

ment from the administration to address a balanced budget that is attainable and that is real.

Mr. President, as we enter this week where the President will be giving his State of the Union Message, and as we enter this week, further, where we are asked to reauthorize an extension of Government because the continuing resolution is voted, I point out a few things relative to cause and effect, because when I was home there was concern about why Government was shut down and who bore that responsibility. Some suggested it was the responsibility of Congress alone.

I remind the President that this body and the House passed a series of appropriations bills. About 12 of those appropriations bills were passed, and the President vetoed about half of them. In vetoing, the President bore the responsibility of basically not funding those particular agencies. The consequences of this, Mr. President, are a difference of opinion between the administration and the Congress as to the adequacy or inadequacy of those various appropriations bills. To suggest it was all the fault of Congress is unrealistic. Congress did its job.

When you look at the vote on the welfare reform bill, Mr. President, I think it deserves particular examination because many of us assume that we have negotiated with the administration to a point that was acceptable. I think it passed this body, Mr. President, about 87 to 12. It is fairly significant that those on the other side of the aisle felt we had a pretty good bill, but the President saw fit, kind of in the dark of night, to veto that bill. One has to wonder just what the objection of that veto message was. I never did quite understand it.

Now, we have heard time and time again from the White House that this is the fault of an unresponsive Republican-controlled Senate and House who are proposing to balance the budget on the backs of the elderly and on the backs of the low-income groups, on the backs of children; it will affect education and it will affect the environment. Yet, the President's own members of his Cabinet, several members of his Cabinet, earlier did an evaluation of the Medicare Program and found that the Medicare Program would be in default, it would be broke, if it was not addressed at this time.

In 7 years we would not be able to meet our obligations with regard to Medicare. After an extended discussion with the leadership of both the House and the Senate, negotiations took place, and the only alternative available to address the runaway increase in Medicare was simply to reduce the rate of Medicare's growth. It had been growing at a rate of almost 10 percent. The agreement finally came down to reducing that rate of growth from approximately 10 percent to just under 6 percent.

How did the administration respond to this? "Draconian cuts," they called

it. But it was not a cut; it was a reduction of the rate of growth. Those recipients of Medicare would receive an increase this year over last year and next year over this year. Yet, the American people, the elderly and those dependent on Medicare, I think, were frightened by the misleading statements from the White House and the inability of the national media to address the alternative, Mr. President. The alternative was that if we did not reduce the rate of growth, the system would be bankrupt, and then what is the capability of the system to meet its obligation for those who are recipients of Medicare? That was simply excluded from the discussions, excluded from the conversations, and of course excluded from the wire stories, blaming the Republicans for this dilemma.

Mr. President, it has been said time and time again on this floor that this is the opportunity to redirect America, to reduce Government control, to reduce Government spending, and bring Government back to the people.

Now, the Republicans have dug in and said if we do not do it now, it probably will not be done. Our children and grandchildren are going to share the increasing burden. At some point in time, somebody will have to take that medicine, Mr. President, because as you go back and reflect on that 4.9 trillion dollars' worth of accumulated debt and the realization that we cannot afford to put this Nation in default, the only alternative is to reduce the rate of growth of that debt and that simply mandates a balanced budget.

That is what this is all about. It is redefining the direction of our Government to make it simple, to make it smaller, to make it more responsive, to put control back where it belongs, back to the States, back to the people.

I urge my colleagues as we address the significance of several events taking place this week that we keep our eye on our objective and the realization, Mr. President, that if we do not do it now, then the question is, When? If it is not now, it may be too late.

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

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

(The remarks of Mr. DOLE pertaining to the introduction of S. 1519 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

The PRESIDING OFFICER (Mr. COVERDELL). The Senator from Utah.

#### KEMP TAX COMMISSION REPORT

Mr. BENNETT. Mr. President, last year, I delivered a rather lengthy speech on the issue of taxes. I talked