

in the Kirklands' dedicated quest for freedom of people behind the Iron Curtain and indeed throughout the world.

Upon conclusion of high school, Lane was a student at Newberry College. He later graduated from the United States Merchant Marine Academy in 1942. During World War II, Lane served as a deck officer on a number of merchant marine vessels that transported ammunition for our troops on the front lines. After his service in the merchant marine, Lane enrolled in the Georgetown University School of Foreign Service.

Following his graduation from Georgetown in 1948, Lane began his work as a researcher for the American Federation of Labor and rose through the ranks serving as an assistant to the late George Meany, and was elected as Secretary-Treasurer of the AFL-CIO in 1969. Ten years later, he was elected president of the AFL-CIO, a post he held for the next 16 years.

During Lane's almost three decades in the highest ranks of labor leadership, he played a critical role in unifying what he termed the "House of Labor." Under his leadership, the International Brotherhood of Teamsters, the United States Automobile Workers, the International Longshore and Warehouseman's Union of the West Coast, and the United Mine Workers of America came back into the overall AFL-CIO fold.

Although I certainly did not vote for labor's legislative position as often as Lane would have liked, I always respected his views. He presented those views to Capitol Hill with courage, with conviction, and with honesty and integrity. Lane was tough, erudite and unwavering in his promotion of workers rights. Lane Kirkland never lost sight of the needs of America's workers, but his concern also included workers around the globe, particularly those behind the Iron Curtain. Lane Kirkland has been a stalwart advocate of human rights and he led the American labor movement by providing critical practical help at crucial moments.

In my view, Lane Kirkland has done as much as any living American to hold America to a steadfast course during the long cold war and to encourage freedom throughout Eastern Europe and throughout the world. Lane was the stalwart supporter of a strong national defense. He never wavered in his conviction that a strong America was essential not only to protect America but to promote freedom across the globe.

Mr. President, when I first came to the Senate, the defense budget, the whole idea of a strong national security, was under severe attack. We were coming out of the Vietnam War. We had been disillusioned by our participation in that conflict. The defense budget itself, indeed, America's national security, was under very severe scrutiny and attack. Lane Kirkland stood up many, many times, many times quietly but effectively making sure that his support for strong national security

was known by people on Capitol Hill. That made a big, big difference in a period of time where our military forces needed strong voices and courageous voices.

We need only also recall Lane's effort in the early days of the Solidarity movement in Poland. As an editorial in last summer's *Detroit News* so accurately recounted:

When the trade union Solidarity bravely emerged in the 1980s to fight the Polish communist regime, Mr. Kirkland and other labor officials smuggled money, printing presses and even electronic equipment to keep the fledgling anti-communist movement alive. . . . When it came time to confront the gravest security threat this country has ever faced, Mr. Kirkland did not flinch. He fought communism and supported fledgling democratic movements that contributed to the demise of many totalitarian regimes. For that effort, he deserves everyone's appreciation.

Mr. President, I certainly endorse that editorial.

Lane Kirkland truly deserves America's appreciation. He has devoted his life to improving the lives of all Americans and to extending our democratic values throughout the world. Lane Kirkland is an able and courageous individual whose leadership at the head of the labor movement will be sorely missed. I am confident that he will continue to make a very strong national security contribution as well as a contribution to the well-being of workers here in America and, indeed, people all over the world. I am confident that he and Irena will continue to serve their country, the workers of America, and the cause of freedom in whatever they undertake. I extend my sincere thanks to both the Kirklands, Lane and Irena, for their devotion to their fellow man, and I wish them the very best in all of their future activities.

THE UNLIMITED SAVINGS ALLOWANCE TAX PROPOSAL

Mr. NUNN. Mr. President, much attention has been paid in recent days to proposals for fundamental tax reform. By fundamental tax reform, I mean the replacement of the current tax on individual and business income with a better alternative.

A significant share of the debate over fundamental tax reform has occurred in Congress. Last year, Senator DOMENICI and I introduced, along with Senators KERREY and BENNETT, S. 722, the unlimited savings allowance tax, or the USA tax. Senator SHELBY and Congressman DICK ARMEY have introduced legislation proposing a flat rate tax. We have all heard considerable debate about that in the Presidential campaign. Senator LUGAR and Congressman ARCHER have argued for a national sales tax. Other proposals, perhaps variations on these ideas, will appear in the coming months.

If we are to have fundamental reform, this sort of congressional debate and activity is absolutely necessary—

necessary, but not sufficient. The American people must be involved in this discussion, and the sooner the better. They must decide this matter in the long run because they and their children will live with the results.

None of us can be absolutely certain what our fellow Americans would choose if fully aware of the various tax reform proposals now before the Congress. Not enough debate has occurred for that awareness to take place throughout our country, and certainly there has not been enough publicity giving the details and analyses of these various proposals. It may be that after inspecting alternative ideas, in spite of being frustrated with the existing Tax Code, Americans may decide to stick with the current tax regime regardless of its serious faults. I hope not.

But whatever the decision, one must be made. Public apathy and its close relative, public cynicism, are not appropriate to the challenge of fundamental tax reform, which I, for one, believe is essential for the Nation.

If citizens are to make a reasoned judgment about the merits of various proposals, they must have recourse to a set of constant standards upon which to rely. This is the only commonsense approach that is possible and effective, and it applies to the evaluation of tax reform proposals even more than to other areas.

When the summer Olympics comes to Atlanta this year, athletes from all over the world will be competing against each other and against the record book. It would really not matter if, say, the pole vault event were measured in feet or in meters, provided the standard of measurement is consistently applied, and applied to all. But an athlete would have every right to cry foul or unfair if his pole vaults were measured in meters while the vaults of his rivals were measured in feet. The standard has to be the same. That is how you determine the best.

So it is with tax reform. If the American people are to evaluate the varying proposals that have been presented, they need us to talk with them about our ideas in a way that makes those ideas readily comparable. If proponents of reform and the media covering this debate do not do that, then citizens will be trying to compare apples with oranges, rather than apples with apples. I am afraid that is what has occurred thus far in this debate.

Let me offer several examples about what I mean.

First, for purposes of fair comparison, all tax reform proposals should be designed to raise the same amount of money. That amount should equal what is now raised by the part of the Tax Code that reformers want to replace. In other words, all the proposals should be revenue neutral compared to the current code.

This is an important discipline. Indeed, it is a very critical discipline. Low rates are attractive. Accordingly, some reformers assume heroic cuts in

Federal spending and Federal tax requirements when they calculate their proposed tax rates. By doing so, they can present proposals with rock-bottom rates. If one proposal is going to have that advantage, then every one should have that. Why not propose a 10-percent flat rate instead of a 17-percent?

It is easy to see how we would have debate that completely obscures and, I think, brings no clarity to the issue if we do not have the same rules. This strategy is like selling a suit three times too small on the assumption that the customer will lose 30 pounds. Maybe the diet will work, but if it does not, or even if it is not quite as successful as hoped, the suit will not fit and the customer will be unhappy.

All of us believe that our proposals will accelerate economic growth and the standard of living of the American people, or we would not be promoting fundamental change. But if the proponents of one plan are permitted to use dynamic estimates even in their debate and presentations to the public, and the resulting lower tax rates, while other areas use conventional estimates and the result is higher tax rates, then this is not real debate. Rather, it is an exercise in creative arithmetic.

I have long worked for reductions in Federal spending. I hope the current budgetary impasse can be broken. We can and we should put the Nation on a path toward a balanced budget. But this process, as I view it, must be separated from tax reform. It is imprudent to model a tax reform plan based on rosy revenue assumptions that have yet to be put into place.

There is also the matter of what share of the tax should be collected from individuals and what share should be collected from businesses. I believe that all tax reform proposals should be modeled to collect from business and individual revenues in the same proportion as what the current code extracts from both.

There is nothing magical about that proportion. From an apples-to-apples perspective, however, we must guard against the temptation, in modeling tax reform proposals, to shift the tax burden from individuals to businesses, or vice versa, in order to play shell games with the rates. You can make a tax proposal sound very attractive if you lower the individual rates dramatically and increase the rates on business. But that, in my view, unless it is clearly spelled out as to why you are doing it and what the philosophy is and why that is going to improve the lives of the American people, it makes no sense.

Just as all the tax reform proposals should be revenue neutral, so too should they provide enough detail to allow people a fair chance to assess them in their entirety. Architects of fundamental tax reform plans need not draw up a complete set of blueprints with every single detail. The goal is to furnish enough of the foundation and

framework to permit citizens to understand how the entire structure would function and to suggest ideas for its improvement.

Often when a proposal seems simple in concept, it does so because its advocates have not explained how it would apply to the many economic transactions that occur every day in our very complicated and complex economy.

Transition issues are a good illustration. Replacing much of the current code with an alternative system will entail more than just a one-time transition cost. Over many years and using after-tax dollars, Americans have amassed trillions of dollars in savings. Businesses have invested trillions of dollars in plant and equipment. That has already been done.

If and when we move to a new tax system, what will happen to that savings and investment? Some tax reformers are silent on that issue. Does their silence mean that senior citizens, our best savers, will find their savings taxed yet again under the new regime? Suppose somebody saved all of their lives and they have \$100,000 in liquid assets, and they are in their golden years and plan to retire. If you pass a 20-percent sales tax and do not have a fundamental transition, then you have said to that senior citizen, "You have \$100,000 which you saved all your life, and you paid taxes on it. These are after-tax dollars, but now, as you spend that money, we are going to levy a 20-percent tax on everything you spend in the latter years of your life." Does anybody really believe that is fair? Yet, those matters have not yet been discussed by many of the proponents of some of the plans.

Will businesses that invested in productivity-enhancing equipment be penalized for their foresight because they will be unable to amortize fully these investments? Is that the way we want to increase new productivity, by penalizing previous modernization efforts for productivity that have been made without a new code?

When Senator DOMENICI and I drafted our USA tax proposal, we devoted much of our attention to solving the transition problems. I do not claim we have solved every one of them, but we have gone a long, long way. Under the USA tax, pre-transition savings would not be taxed and businesses would be given an opportunity to write off their previous investments.

Proponents of other reform plans have criticized the USA tax's transition rules as overly complicated. That is easy to do if you do not have any in your own proposal, and if you have not thought about the results of not having any. Perhaps so; we welcome any suggestions for improvement. But, to use an old poker expression, you can't beat something with nothing. Proposals for fundamental tax reform that do not address transition are not simple—they are simplistic because they are not complete. They have avoided the hard

questions and the hard work which are essential for meaningful tax reform.

Transition is only one of the many details that require elaboration. Farmers must know how tax reform proposals will treat cooperatives. Bankers and insurance companies will ask how financial and service organizations are to be taxed. When you give them an answer and you have not really thought about that, and you say, "Well, we will have to have a transition rule," that means your proposal is going to get more complicated and more complex. That is inevitable. But when you have not thought about these issues, it makes comparisons for the public—and even for the news media people who follow it on a regular basis—almost impossible.

Wage earners will wonder if fundamental tax reform will address the very regressive payroll tax, which is one of our most regressive taxes and is one of the reasons why our American average working person has been hit so hard in the 1980's and even in the 1990's while people get up and talk about the overall rates having come down. Yes, income tax rates have come down. Of course, they came back up again 2 years ago. But they have come down substantially when measured over the last 10 or 12 years—very substantially. But guess what has happened during the same time? The Social Security tax, which has more effect on many of our working people making lower incomes, that tax rate has gone up dramatically, and, therefore, many working people, during the Reagan years where everybody talked about taxes going down, many working people have seen their taxes go up.

Wage earners will not be the only ones who ask about that. There is not a small business person in America who is not vitally interested in the same issue because the payroll taxes for small businesses have also gone up dramatically in the last 10 or 15 years.

Advocates of fundamental tax reform must address these and many more matters openly and early-on. The pass-it-now-and-fix-it-later philosophy of tax legislation will not work. A lack of candor at the beginning of the process invites precisely the public cynicism that now surrounds the current Tax Code.

This issue of candor and thoroughness brings me to the final and most important apples-to-apples issue. Those of us calling for fundamental change must explain why we think the Nation should embark upon such a large project. Only by knowing our motives and why we think change needs to be made can citizens evaluate fairly whether our plans are likely to succeed.

My own sense is that the authors of the various tax reform plans have many goals in common. Those goals have little to do with tax rates and even allowable deductions. I am not

saying tax rates and deductions are unimportant. They are of course important. But changing the tax rates or altering the number of deductions does not require fundamental reform.

In 1986, Congress lowered tax rates and eliminated certain deductions without replacing the Tax Code. If it so chooses, Congress could today enact a flat or single rate individual income tax with minimal tinkering with the rest of the tax system. As a matter of fact, while Senator DOMENICI and I have offered a fundamental tax reform plan with a progressive rate structure, we could easily adapt our proposal to a flat rate system if citizens so demanded without changing our essential purpose.

Mr. President, the debate on flat tax loses a great deal in terms of the understanding that is required. You could take the current Tax Code with all of its headaches, with all of its deductions, with all of its complexities, with all of its perceived unfairness, and you could apply a national flat income tax rate to the current code. It is just a matter of arithmetic. You take the amount you need to produce a breakeven with the current revenue today, you take the rate that would be required to apply to the taxable income, and you apply it. Instead of having four, five, or six individual income tax rates, you could have one. That could be done in just a few hours. You could have a national flat tax rate with the current code. But you would not have solved the problem that is frustrating the American people in terms of complexity, unfairness, and the problem that bothers so many of us because you would not have changed the basic disincentives to save and invest which are required if we are going to increase productivity and if we are going to increase the average income for our American citizens.

Our essential purpose is to change what we tax. This is true for the flat tax and the national sales tax as well as the USA tax and all the other proposals based on these models.

All of these plans aim to correct the bias in the current code against saving and investment. Marginal changes in the Tax Code cannot eliminate that bias. It is ingrained in our current system. If you want to remove the bias in the tax base, you have to replace large parts of the code.

What do we mean by bias some ask? Here is a simple example. If you take \$200 and buy a television set, you are not again taxed for whatever enjoyment or enlightenment you may receive by watching it. If, however, you take that \$200 and put it in a college savings account for your children to go to school, all the interest you earn is subject to tax.

The act of consumption—using the \$200 to purchase a television set—is taxed once, as income. The act of saving—putting the \$200 away for future education expenses—is taxed twice. The original \$200 has already been

taxed as income. The returns to that \$200, in this case, interest, is taxed again. Saving \$200 for tomorrow is more expensive than consuming it today.

So we have an inherent bias built into our tax system that tilts us toward consumption and away from savings and, therefore, away from investment, productivity, and a higher growth standard with higher income.

Millions of middle-class Americans own stock or shares in mutual funds that own stock. They rely on this saving for retirement, health care, and other future expenses.

I wonder if most realize how double taxation reduces the return on their investments. Because our tax law regards corporations and their investors as separate entities, it taxes corporate earnings twice: once as corporate income and again as dividends received by individuals. In contrast, because corporations may deduct interest payments if they borrow, holders of corporate bonds are not penalized by double taxation.

The current Tax Code says to citizens: faced with a choice between buying today or saving so that you can buy more tomorrow, then you should buy now. It says to corporations: faced with the choice of building a strong foundation through equity financing or borrowing to the hilt, borrow to the hilt.

This bias against saving is a bias against our future. We see its crippling influences in our economic data. The saving rate in this country is at historically low levels. Because our savings are low, our investment has been correspondingly low. Continued low saving inescapably means continued low investment. Low levels of investment mean low productivity gains. Low productivity gains means stagnant wages and, therefore, little or no growth in our standard of living. We have been on this treadmill for long enough—too long.

All of the major proposals for fundamental tax reform—the national sales tax, the flat tax, and the USA tax of Senator DOMENICI and myself—would rid the Tax Code of its bias against saving. That is their central, core characteristic. While we debate the differences, this core characteristic should not be overlooked. It is this focus upon the tax base that distinguishes fundamental reform from the incremental changes of previous years.

Although many of the details of the national sales tax proposal remain sketchy, its basic mechanism is familiar to most Americans. The sales tax is paid on purchases. Saving remains untaxed until spent. In theory, every dollar of wages or salary is taxed once and only once at the point of consumption.

The flat tax would be administered in much the same way as the current income tax. The key difference is that capital income—that is, money earned as the result of saving and investment—is not taxed at the individual level.

For example, citizens would not be taxed on interest earned on a bank savings account. Nor would they be taxed on income from dividends, interest on corporate paper, or capital gains. Corporate income would still be taxed at the corporate level; by not taxing it again at the individual level there would be no double taxation. While I certainly understand the theory behind this proposal, I would have a hard time ever explaining why the wealthy owner of a yacht living off of investment income would have to pull up to shore to let his captain off to file an income tax return each April 15 while the owner remains on-board watching television and playing cards.

That is a burden I do not want to assume. So the theory has validity, but the application seems to be, and I think would be perceived to be, very unfair.

Senator DOMENICI and I took another tack. Like the flat tax, our USA tax proposal is administratively similar to the current income tax. Some people, of course, do not like that. But our method for relieving the current code's burden on savings and investment departs in considerable and very significant degree from the flat-tax approach.

A major, perhaps insuperable, problem with the flat tax is the failure to treat all income alike. An individual with only wage income would file a tax return while his neighbor, with only capital income, would not.

Now, it is true that the capital income would already have been taxed at the business level. Dividends, for example, would have been taxed at the business level as corporate income, but I am afraid that would be far from obvious to the wage-earning neighbor. Such a lack of clarity would inevitably lead to a lack of public confidence.

When we designed the USA tax, we wanted to make the proposal as understandable and fair as possible so we chose to avoid the complex and confusing distinction between wage and capital income.

The USA tax is indifferent to the source of income. It is concerned with how the income is used. In every taxable year, the amount of money a taxpayer chooses to save would not be taxed. The taxpayer would be taxed only on the amount he or she spent during the year. This removes the double taxation of savings. Note, too, that no dollar ever escapes taxation. Over a lifetime, every dollar would be taxed once and only once in the year it was spent.

The USA tax grants to all America a power that today is reserved only for the wealthy: the ability to lower their tax obligations. Exercising that power does not require an army of tax lawyers to ferret out loopholes in the tax system. Merely by saving, taxpayers can reduce how much of their wages is subject to tax in any given year.

Under the USA tax, everyone will have the tools to take greater economic responsibility for themselves

and for their families. At a time when we must moderate the growth of entitlement programs, this sort of change, I believe, is absolutely essential.

I know that many of us in America do not think we can afford to save. My response is that we have no real choice. Savings must become a greater priority in every household budget, just as it must in the Federal budget by lowering the deficit. It is Government's responsibility to help our citizens by providing a tax code that does not penalize them when they try to do what is best for their future and for their children's future.

Mr. President, I believe the U.S.A. tax offers a superior path to fundamental tax reform. Its savings deduction is understandable and equitable. Those who take the time to acquaint themselves with our legislation—which we tried to write in plain English in the hope that Americans will read it—will also see how the U.S.A. tax would simplify both the business and individual tax; encourage American exports by offering a tax rebate on sales or exports from this country; it would include vital deductions for education, charitable giving and retain the home mortgage interest deduction; and it would provide taxpayers and businesses with a credit for the payroll tax they must pay, which is enormously important to our small business community and, most of all, to our average working people.

Ultimately, however, neither Senator DOMENICI nor I see ourselves in some sort of fundamental win-or-lose conflict with advocates of the flat tax or a national sales tax. Fundamental tax reform must be a collaborative process. There are tremendous forces in favor of keeping the Tax Code as it is. They are already well along in their job of scuttling change. We assist these defendants of the status quo when we focus only on our differences and neglect what we have in common.

For all the conferences, column inches, research reports, and speeches devoted to fundamental tax reform over the last year or so, the truth of it is that those of us who want fundamental change stand at the beginning of a very long road. We must begin to travel that road together. We have to speak with the American people regarding what is really at stake in fundamental reform. We must solicit their views rather than stir up their passions. We must challenge our critics to help improve our work, and when we offer proposals for reform, we must employ similar revenue estimates and provide a comparable degree of detail about what we wish to do. We must begin to make apples-to-apples comparisons if people are going to be able to understand the debate and participate in it. Then and only then can the people of America decide, and the people will have to decide in the long run.

As we enter the Presidential election cycle, it is evident that the American people are restive and uncertain about our collective future. They wonder about which direction our country should take.

At another time of great national uncertainty, Abraham Lincoln offered some very practical advice. Quoting him, "If we could first know where we are and whither we are tending, we could then better judge what to do and how to do it."

Those of us who believe that fundamental changes in the Tax Code are one important element, a very important element, in getting the country's house in order should heed Lincoln's advice. Let us work together to encourage a public understanding of where we are economically and how our current Tax Code constrains us and prevents us from fulfilling the American dream of a better life for all of our citizens. If we can do that, we may safely leave it to the public to judge what to do and how to do it.

Mr. President, I yield the floor.

Mr. LIEBERMAN addressed the Chair.

The PRESIDING OFFICER. The Senator from Connecticut is recognized.

Mr. LIEBERMAN. I thank the Chair.

Mr. President, before I proceed with my remarks, let me just offer my thanks and appreciation to my dear friend and colleague from Georgia for the statement he has made, for the leadership he has given on this issue. He is known best, I suppose, for the extraordinary leadership he has given on matters of national security now for more than two decades in the Senate, but he has been a courageous leader in other areas, including this one of tax reform. It reminds us about why we will miss him next year and why I hope he will continue to push us in the direction of reform from the private sector. I thank my friend for his superb words.

Mr. NUNN. I thank the Senator.

COMMERCE SECRETARY RONALD H. BROWN

Mr. LIEBERMAN. Mr. President, as we return to session today, it is spring in Washington. The blossoms are out. It is a beautiful time, and yet I am sure the experience I had in returning with my family yesterday was comparable with others coming back to Washington; it brought home the terrible tragedy that occurred while we were away, that of the plane going down in Croatia carrying Secretary of Commerce Ron Brown and so many others, including two corporate executives from Connecticut, Claudio Elia and Bob Donovan. And coming back here to this city, where many of us came to know Secretary Brown, filled me with a sadness and a sense of loss yesterday and today.

I wanted to come to the floor and share with my colleagues just a few thoughts about Ron Brown. I hope someday in the not too distant future to be able to offer to my colleagues some comments, if they did not have the opportunity to know them, about Bob Donovan and Claudio Elia, whose service to our country was extraordinary.

Today, however, I wanted to speak about Ron Brown. I am proud that I

had the chance to work with Ron Brown during his all too short tenure at the Commerce Department. I tremendously enjoyed working with Ron Brown in his various capacities as a private attorney, as a leading Democratic activist, as chairman of the Democratic National Committee, and most closely and I think most creatively in this last period of years as Secretary of Commerce. I am honored that I can call him a friend. We are all going to miss him—it's painful to think that my staff and I won't have the sheer fun of working with him again—and the country will miss him even more. I have the greatest respect for him, as have so many others, as a wonderful, warm human being and as a leader who had a clear-eyed vision of how to make our people and our country better.

This is a case which is so often true where you interconnect with a person in a professional capacity, but you never think of a man in the prime of life not being here. In a way, I suppose it is death that makes you appreciate even more the great skills and the enormous service that this individual, Ron Brown, displayed for our benefit.

Ron Brown, it seemed to me, truly loved the job he had at Commerce. He always managed to fit well, wherever he was, and this job really did fit him like a glove, from the moment he took it. He had an early understanding that the mission of the Department of Commerce was to promote economic growth, that is job creation. He understood from his own experience the wide-open nature of our market system and that it was the unique way America had for creating opportunity for its citizens—the market, upward mobility.

Ron Brown never saw the business community as an enemy, he saw it as an ally in expanding opportunity, and he threw himself into this job with a single-mindedness and joyous commitment to forcing the system, the economic system, to deliver for all Americans.

Against this background, I want to talk about two areas of his time at Commerce that I think was so critically important. I believe that they were truly extraordinary, and set a new performance standard for our government's relationship with the private sector.

EXPORTS

The first has been written about extensively in the last days since his death, and even some over the preceding three years: The incredible export promotion operation he put together at Commerce. But I do not think that enough has been said about why that was so important.

Until the mid-1970's, the U.S. economy was on top of the world, dominating it. While our economic rivals, led