

other without losing their insurance. We have addressed the absolutely incredulous situation where an employee who works for a company has their insurance premiums deducted, but if they happen to work for themselves, they cannot. What kind of nonsense is that? So we corrected that.

We created these medical savings accounts so more people would have access to the marketplace of insurance, so that they could save money.

We allow tax deductions for long-term health care, and we fight fraud and abuse. It is a very, very sound proposal that accomplishes the fact of letting more people keep their insurance, more people get their insurance, and we create a friendly workplace for insurance.

There comes the third point. The principal advocates for Government health insurance do not want this to become law, they do not want medical savings accounts—the administration and the Senator from Massachusetts—something that 80 percent of the American public want, so they are going to filibuster it. They are going to block it. I guess they are hoping that maybe fortunes will change and they will have another opportunity to come back and foist that big-Government-health-run program on America again.

These elections do have consequences. I think this proposal that is hung up by the opposition of Senator KENNEDY and the White House is exactly what America is asking for. I think America will take note of blocking this opportunity.

I see, Mr. President, we have been joined by the Senator from Arizona. I believe he has asked for up to 20 minutes. So I yield 20 minutes to the Senator from Arizona.

Mr. KYL. Thank you, Mr. President. I thank the Senator from Georgia.

The PRESIDING OFFICER. The Senator from Arizona is recognized.

#### THE WASHINGTON TAX TRAP

Mr. KYL. Mr. President, a few weeks ago, I received a letter from Jerry Harbin of Phoenix, AZ, one of my constituents. Mr. Harbin works two jobs, his wife works another job, and they earn a modest income between them. The Harbins, who are in their mid-fifties contacted me because they are worried, worried that because so much of their earnings are eaten up by taxes, they have been unable to save for retirement. They are two, among many people, who I hear from every day telling me how difficult their lives are right now and how fearful they are about what the future has in store.

Why is it, Mr. President, that so many families, like the Harbins, are struggling just to keep their heads above water? Why is it that Americans seem to be working harder and working longer, and yet they have less to show for it? Why is it that more people have to take two jobs just to make ends meet?

The answer, I think, can be summarized in three words: The tax trap. The tax trap. It is really very simple to explain. The harder you work, the more taxes Washington makes you pay; the more taxes you have to pay, the longer and harder you have to work. Only Washington ends up with more. As Jerry Harbin put it, people are working themselves into early graves just to pay for Government programs that are not working.

Think about what the tax trap has done to society, to families, to working parents. As another one of my constituents, Mike Barry, of Scottsdale put it, and I quote from a letter:

We have the greatest nation in the world and probably the highest standard of living, and yet because we don't have the willpower and discipline to make the tough decisions to get our "checkbook" in order, we are risking our future and the future of our children.

Mr. President, Americans were once the most optimistic people on Earth, but that seems to be changing. In the America my parents knew, if you worked hard and you played by the rules, you had enough money left over from your paycheck to put something away for the future and still have enough for the little extras in life, and that is what the American dream was all about. It was about making a decent life for ourselves and securing a prospect for a better life for our children.

Why is it, then, for the first time in our Nation's history that an entire generation seems to be losing confidence in the future? It was not that long ago that the largest investment most people ever thought about making was buying a home. If they worked hard and saved, they could buy a house, live the American dream.

But today that dream is out of reach for many families. Many people are now sending more to the tax collector than they spend on food, clothing, and shelter combined. Let me say that again. They are paying more in taxes than they spend on food, shelter, and clothing. There is nothing left over to save for a new home. Some people, like Margaret Bonghi of Phoenix, are really caught in the middle. They cannot afford to buy and they do not qualify for assistance of any kind, and yet they cannot afford to rent either. After taxes, there is nothing left over for her to save.

Here are the figures, Mr. President. In 1948, Federal taxes took about 3 percent of the average family's income. But today, almost half of what people earn goes to the Government in one form or another—half. The tax trap keeps families from buying their own homes. It hurts young people, like 18-year-old Jarrod Wilson in Phoenix, who is very much upset about how much of his earnings are taken by the Government and wasted. He is scared about how much of his paycheck he will be able to keep in years to come.

High taxes are a worry for working women who are trying to balance a ca-

reer with family obligations. Children are put in day care because both parents have to work just to have enough left over after taxes to pay their bills.

For decades, now, Washington has assured people that it can solve every problem with new spending or some kind of new program. It raised taxes, promised more, but few problems were really solved. So it raised taxes again, and the Government grew even bigger. We now have a bureaucracy that includes 160 different job training programs; 240 different education programs; 300 economic development programs; and 500 urban aid programs. Have all of these programs really made Americans better off?

A recent audit of the Labor Department found that about \$305,000 was spent for each participant placed in a training-related employment program in Puerto Rico for about 90 days. The beneficiaries of this program were hired to perform the menial tasks that they had wanted to escape from by participating in the training program in the first place. So the program not only failed to train people for better jobs, it wasted millions in tax dollars that hard-working families could have spent on real needs.

Can Washington really afford all of these programs? It can if it continues to raise people's taxes. President Clinton was not in office 100 days before he proposed the largest tax increase in the Nation's history, taking more of people's hard-earned incomes, again, to expand the size and the scope of the Federal Government.

By comparison, Republicans spent the first 100 days last year trying to cut spending and cut taxes only to have President Clinton veto our balanced budget and tax relief bill in the end.

Did you ever wonder why President Clinton and the Democrats in Congress have been asking people to sacrifice a little more so Washington could spend a little more? Why? Should we not demand that Government be more careful with people's money?

It should not surprise anyone that more and more families find it difficult to make ends meet, that more and more people are forced to live from paycheck to paycheck, and that too many Americans want to put something away for the future but cannot, that almost everyone feels the squeeze from rising prices and higher taxes. Keep in mind that the cost of the Clinton administration's policies to the typical family is \$2,600 a year in higher taxes and lower earnings.

What then is so wrong about asking Government to live within its means so that people can earn more, keep more and do more for themselves and their families? What is wrong with fixing problems that are broken, dismantling programs that are unnecessary and giving the benefit back to working Americans in the form of lower taxes?

I know there are some in Washington who say we cannot afford a tax cut if

we are serious about balancing the budget. They seem to view the economy as a zero-sum game. It is a line of reasoning that says no one can ever do better unless someone else does worse. If you cut one person's taxes, then they say you have to raise someone else's taxes. It is like trying to divide a pie into ever more slices, satisfying no one in the process.

Some of us think that we should try to make every American better off; that we want to grow the economy, in effect, to make a bigger pie so that all Americans can do better.

That is what happened during the years that Ronald Reagan was President, when income tax rates were cut 25 percent across the board for everybody. Real median family income grew every year but one, between 1982 and 1989, rising \$4,564, or 12.6 percent. That is real median family income. It rose over \$4,500.

Inflation virtually disappeared by 1986 which, of course, protected all Americans, but particularly senior citizens on fixed incomes. Because the economy was so much healthier, tax revenues to the Treasury increased between \$60 billion and \$80 billion a year. So actually lower tax rates resulted in higher tax revenues to the Government.

How can that be? It is the same thing that happens when the manager of a local department store schedules a sale and he cuts the price of the products that he sells. He does not do it to lose money, he does it to sell more goods. The store takes a smaller profit on each item, but the increased volume of sales more than makes up for the lower prices when the store counts its receipts at the end of the day.

The same thing happens in taxes. President Reagan cut taxes 25 percent across the board, something that helped to spawn the longest peacetime expansion of our economy in the history of the country. By the end of President Reagan's second term in office, real gross national product had risen by more than 4 percent. Nearly 19 million new jobs were created, over 85 percent of which were full-time jobs in occupations with average annual salaries of over \$20,000 a year.

Interest rates fell, and as a result of the healthy and growing economy, revenues to the Treasury increased, as I said, between \$60 and \$80 billion every year.

That kind of growth was not unique to the Reagan years. It was typical of the economy's performance during other tax-cutting periods. For example, President John Kennedy proposed even bigger proportionate tax rate reductions than President Reagan's. Income tax rates were reduced in the 1960's from a range of 20 to 91 percent to a range of 14 to 70 percent. Revenues to the Treasury rose 66 percent by 1969.

Under Gov. Pete duPont's administration in Delaware in 1979, the top State income tax rate was cut from 19.8 percent to 7.1 percent. By 1993, State

revenues had doubled, employment increased 36 percent, and welfare case-loads fell by 40 percent.

The high-tax policies of the 1990's have had just the opposite effect. Real median family income has declined \$2,108, or 5.2 percent. Since the beginning of 1995, the economy has only grown at an annual rate of about 1.6 percent. More than a third of the new jobs that have been created have gone not to people just entering the workplace or just getting off welfare, but to people who had to take an extra job just to make ends meet. Interest rates, which had declined during most of 1995, are now rising again after President Clinton vetoed the balanced budget and the tax relief package that the Congress had sent him.

In fact, until Congress forced President Clinton to get serious about limiting Federal spending last year, deficits were forecast at \$200 billion a year in the foreseeable future, despite record-high taxes. What that proves is that a sluggish economy and overspending, not a lack of revenue, are the real causes of the Nation's deficit problem.

Mr. President, some economists have proposed yet another round of income tax rate cuts to stimulate economic growth and to put more money back into people's pockets. Others have suggested that more limited relief, like a \$500-per-child tax credit or a tax credit for educational expenses, would do more good. As Grover Norquist, who is head of Americans for Tax Reform, recently said, paraphrasing, I think, Mae West, "All tax cuts are good tax cuts, and even bad tax cuts are good tax cuts." In other words, just about anything we do to leave more money in people's pockets is a good thing.

But the benefit of an across-the-board tax cut, I think, is that it reaches out to all Americans. It treats everyone alike, and everyone therefore would benefit. It says to the American people that we trust them to spend their money in ways that is best for themselves and their families. It would allow people to keep more of every dollar earned from their extra effort in the workplace no matter what kind of work they do, or from their extra investment, no matter what kind of investment they may make.

The broad nature of such a tax cut applying to all forms of work and investment ensures that effort and capital are steered to the most productive activities in the economy, instead of other activities that the Government deems the most important, through targeted tax credits or deductions.

It also seems to me to provide the fairest kind of tax relief. Everyone would be treated the same. Tax rates would be cut 15 percent across the board, boosting take-home pay and relieving a major source of anxiety among people in middle and low incomes.

Notably, a 15-percent tax rate would take revenues as a share of gross domestic product back to where they

were before President Clinton took office—to 19.2 percent from the current 20.4 percent—effectively repealing the Clinton tax increase.

Mr. President, I want to conclude by suggesting that an across-the-board tax cut is probably the best way to stimulate the economy, the best way to boost take-home pay, the best way to create new jobs and, in turn, the best way to provide more revenue to the Treasury in order to balance the budget.

I hope that Bob Dole and President Clinton will bring this debate to the American people during this upcoming campaign so that perhaps a consensus can develop among the American people during the next several months, so that when the new President takes office, the new Congress comes into office next January, we will feel some mandate to put the will of the people into action, to provide for an across-the-board tax cut that can benefit us all, allow us all to keep more of our income to spend as we think best for our family, but also, as a result of the increase in economic growth, to provide more revenues to the Treasury, to provide for the needs of the people through Government and provide for a balanced budget.

That is the benefit of an across-the-board marginal income tax cut. I hope that both candidates and those in public policy positions will seriously consider this proposal as perhaps the best single thing that we can do for the people that we represent, the people of America.

Mr. COVERDELL addressed the Chair.

The PRESIDING OFFICER. The Senator from Georgia.

Mr. COVERDELL. Mr. President, I commend the Senator from Arizona for his very fine remarks. I think he is right on target. You know, it is just beyond comprehension that an American family today would work from January 1 to July 3 for the Government.

I said to somebody the other day, and I say to the Senator from Arizona, that July Fourth has taken on a new meaning. The irony of it is that it is the first day that a working citizen, a laborer, can keep their paycheck. All the rest of them they gave away to the policy wonks and the government bureaucrats and policymakers, from their own local communities to the Federal Government, the Federal Government being the big bully on the block.

Imagine, Thomas Jefferson would be stunned that this situation is confronting labor, that over half their wages are consumed by the government. That means, in a sense, half their freedom has been—

Mr. KYL. Will the Senator yield?

Mr. COVERDELL. Yes.

Mr. KYL. The Senator said it just exactly right. Independence Day takes on a new meaning. We are finally independent. We can keep the money we raise and spend it on our own families instead of funding government programs.

Mr. COVERDELL. The Senator from Arizona is absolutely correct. The American people know this is out of balance. They know it. You can ask any segment, and they will say that they ought to work from January 1 to about March 1, about 25 percent. So it is double what the American people are paying, which is, of course, why the administration promised to lower it.

But the incredulous thing is, they did the exact reverse and gave us the highest tax increase in American history and therefore have created this enormous weight, this enormous economic burden on every working family, no matter their age or circumstance across our land.

I do commend the Senator from Arizona and notice we have been joined by the distinguished Senator from Tennessee. I yield up to 10 minutes to the Senator from Tennessee.

Mr. FRIST. Thank you, Mr. President.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. FRIST. Mr. President, I come to the floor today to join my distinguished colleague from Georgia, and having just heard the remarks, which are right on target, from my colleague from Arizona, addressing this issue of taxation, where the country is going and what we can do about it.

Mr. President, America was once the most optimistic nation on the face of this planet, but that is not the case anymore. Today, thanks in large measure, I believe, to the incredible tax burden that is placed on the backs of the American people, Americans have lost not only faith in Government, but they have lost all hope in the future and that the future will be better in some way than the past.

You know, when my parents were growing up, America was a place where, if you worked hard and you played by the rules, you could earn enough to support your family and still have a little something left over to put away for the future, and maybe even have a little bit to buy those little extra special things in life. That was what the American dream was all about. But for most American families today, the American dream is becoming nothing but a nightmare.

When I was a child growing up, the largest single expense that family had was their home. It is no longer the case. That largest single expense is the tax bill. Today, Americans send more each year to the tax collector than they spend on food and on clothing and on shelter.

In 1950, it took just a fraction of our income to go towards our taxes. Today, almost half of everything they earn, the American family earns, goes to the Government in some form or the other—almost half of everything they earn. No matter what they do, they cannot get ahead. The harder they work, the more taxes Washington takes out of their pockets. The more taxes they have to pay, the harder they

work. That is what we mean when we say we are caught in a tax trap. Washington ends up with more, but American families end up with less.

Mr. President, the American dream was also about generational improvement, about believing that our children would have more opportunities, more choices and a better life than their parents. And, indeed, in America, they should have. Why is it, then, that for the first time in our great country's history, an entire generation of Americans have lost hope and lost confidence in the future? Why? How is it that we have lost that vision, that belief in unending dreams and in limitless possibility? The answer is simple: Taxes.

Mr. President, for decades Washington has told America that everything is OK. But, at the same time, Washington has spent our children's inheritance and undermined their future. For decades, Government not only spent more than it took in, but spent that money unwisely. Just to pay for what? A growing Washington bureaucracy, a bureaucracy that has created and encouraged overlapping programs—over 160 different job training programs, over 240 education programs, over 300 economic development programs, over 500 urban aid programs.

How does Washington pay for all of these overlapping programs? By raising taxes through the roof. It should not surprise anyone that more and more American families find it harder and harder to make ends meet, that more and more American families are forced to live from one paycheck to the next paycheck, that too many Americans want to put something away for the future, but they simply cannot, that almost every single American feels squeezed by rising prices, higher taxes, and stagnant wages.

Yet, Mr. President, while in the first 100 days of the new Republican Congress we spent our time trying to cut taxes, to give tax relief to that American family, Mr. Clinton spent his first 100 days in office trying to take more of America's hard-earned dollars. Against unanimous Republican opposition, President Clinton imposed the largest tax increase in the history of this country—\$265 billion, to be exact. Yet, he still expects Americans to save more and to give more, in spite of this tax increase. No wonder most Americans have lost hope. It is the Clinton crunch. It is stagnant wages and higher and higher taxes. That is what the American taxpayer feels.

I repeat, the Clinton crunch is hurting America every day. The Clinton crunch is hurting the American citizen every day. The price of Mr. Clinton's tax trap is high. It not only costs the typical American family \$2,600 in higher taxes and lower earnings, but we also pay the price of less savings, less investment and a less certain future. That is why, as we travel around our various States from community to community, we hear that the American people are afraid. They are afraid that

they are not going to be able to afford that interest on their children's college loan. They are afraid they are not going to be able to afford to buy that first home. Why? Because interest rates are too high. They are afraid they are not going to be able to pay off their own accumulating debt. They are afraid that they will have nothing saved by the time they retire.

Well, it is time to end the tax trap, and we can end the tax trap. It is time we gave the American people some well-deserved tax relief. It is time we return their power, that we return their influence, that we return their own earnings over to them and their futures. And it is time we, once again, encouraged economic growth, encouraged opportunity, encouraged wages, encouraged savings, and returned that hope and that optimism that is so characteristic of the American people.

Mr. President, Government and bureaucracies did not make America great. People made America great, people who worked hard, who saved for the future, who saved and invested for their children, who made the world a better place for that next generation, for their children, for their grandchildren. That is what made America great.

Our goal, the Republican goal, is to end the tax trap. Our goal is to help Americans not only earn more money but keep more of what they earn, so they can do more for themselves, do more for their families, do more for their communities, so they can save more for their children and their future, and so they can give more to that collection box on Sunday.

Yes, that is the legacy our parents and grandparents left to us. It is the legacy that all Americans inherited from our Founding Fathers. Let us not be the first generation who fails to pass that legacy on.

Mr. President, I thank the Chair and yield the floor.

Mr. COVERDELL. Mr. President, I appreciate the remarks of the Senator from Tennessee. He is on target, as usual.

#### HEALTH CARE REFORM

Mr. COVERDELL. Mr. President, let me just say that, again, I want to close by talking about the fact that this Congress, the 104th, the Senate and House, has done remarkable work in bringing to the country some relief in the insurance marketplace for health insurance.

We heard, in the last Congress, about the large number of people who are disadvantaged in the insurance marketplace and that they lose their insurance if they change jobs. The costs are too high. A lot of young people do not have insurance, or somebody who has had a medical problem has difficulty getting insurance. We oppose vehemently the idea of a new massive Government takeover to run every aspect of everybody's decisions—families and persons.