are there such evil ideas being put forth? It is because so many people have given up; so many people do not recognize that when we put the coalition forward, we are the majority, we do not have to be beggars.

Arnold Aronson understood that. He understood the price we have to pay in energy and time and patience to make the coalitions work. I salute Arnold Aronson, and I hope the young people will go searching; when they do their book reports and they make their various presentations during Black History Month, as well as any other time, that they single out people who have not been highlighted in the encyclopedias enough, people who have not been portrayed on the calendars, but the people who have made history what it is in terms of the positive movement forward in America, people like Arnold Aronson. I congratulate Arnold Aronson on his 86th birthday.

☐ 2045

I congratulate Arnold Aronson on his 86th birthday. I thank the gentleman for being here.

Mr. CLYBURN. I thank the gentleman for his statement. Mr. Speaker, in closing this special order this evening, I thought as I listened to the remarks being made by my colleagues this evening, I thought about the last time I shared a lunch, I believe it was in Kansas City, with Arnold Aronson and the things we talked about.

I thought about many of his successors as president of the National Association of Human Rights Workers: Dick Lexum in Michigan, Leon Russell, and Albert Nelson in Florida, Mary Snead in South Carolina, Marjorie Connor in Michigan, and many, many others.

I thought about Martin Luther King, Jr.'s letter from the Birmingham city jail. A lot of us read that letter. I try to read it at least once a year. There is a place in that letter where King spoke or wrote about people like Arnold Aronson. He wrote at one place in his letter that we are going to be made to repent in this generation, not just for the vitriolic words and deeds of bad people, but for the appalling silence of good people.

I am pleased to join with my colleagues tonight thanking Arnold Aronson for being among the good people who refused to remain silent. Because he spoke up and because he stood up, many of us are here in this body this evening, and many of us are in similar bodies all across this country. I can think of no better way to help him celebrate his 86th birthday than to have participated in this special order tonight.

Finally, Mr. Speaker, I want to wish Arnold Aronson many, many more birthdays.

Mr. BISHOP. Mr. Speaker, I rise today to applaud the work and character of Arnold Aronson. His distinguished career in civil rights spans nearly 60 years. Mr. Aronson is most noted for being one of the founders of the Leadership Conference on Civil Rights in 1950 and his draft of the report ''To Secure these Rights.'' This report was later issued by President Truman's Citizens Committee on Civil Rights in 1947 and eventually became the basis for the 1957 Civil Rights Act. Mr. Aronson was also one of the ten organizers and leaders of the historic 1963 march on Washington.

Throughout his career, Aronson has worked with many organizations spanning the entire spectrum of the civil rights movement. He was program director of the National Jewish Community Relations Council and founder and president of the Leadership Conference on Civil Rights Education Fund. He is also noted for his attempts to rally Jewish and black communities in the interest of racial tolerance.

I salute the dedication and contributions of Arnold Aronson to civil rights.

GENERAL LEAVE

Mr. CLYBURN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the subject of this special order.

The SPEAKER pro tempore (Mr. ROGAN). Is there objection to the request of the gentleman from South Carolina?

There was no objection.

TAX AND SPEND

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the Chair recognizes the gentleman from Maryland [Mr. EHRLICH] for 60 minutes.

Mr. EHRLICH. Mr. Speaker, I am going to be joined by a number of our colleagues tonight on the majority side to talk about a couple of issues of great importance to the American people. The gentleman from California [Mr. COX] and I want to talk about an issue near and dear to our hearts, reform of estate taxation and the way we tax success in this country.

We are going to talk about the balanced budget, and the hope for cutting the capital gains tax rate in this country.

Mr. Speaker, what we are really talking about tonight is tax and spend: how we tax and why we spend so much in this country.

There are really two issues, when we think about it. One is how we put the brakes on government, because the nature of government is to grow always, at every level of government: local, State, and Federal. That is pretty natural when we think about it, because it is the nature of elected officials to want to please their constituents.

Unfortunately, that desire to please has given us an almost $6 trillion budget deficit in this country, an issue we will be talking about in greater detail in the course of the evening.

How do we put the brakes on the nature of government? In Maryland, in the Maryland Legislature, the Maryland General Assembly, where I came from for 8 wonderful years, we have a constitutional requirement for a balanced budget. We are striving for that same policy goal in this House, as Members well know.

The second part of the equation is empowering people, how we are going to empower the individual and not government. That is the logical second part of the equation.

First of all, putting the brakes to government. I am pleased to sit on the Committee on the Budget under the chairman, the gentleman from Ohio [Mr. KASICH]. I am pleased to sit with Members from both sides of the aisle who are serious about actually balancing the budget, what should be a noncontroversial goal in American political discourse, but it is. An awful lot of folks we represent do not understand why it is so controversial.

As I said earlier, Mr. Speaker, it is the natural inclination of people to please. It is the natural inclination of folks in public office to please. We are politicians. We run for elections. We want votes from folks. Usually we get those votes by promising people something. Unfortunately, on both sides of the aisle over the last 3 decades in this town, we have garnered votes by promising more government.

For whatever societal ill has come about, whatever real or perceived problem is high on the national agenda, politicians have promised more government because it is the easy thing to do. It is always easier to say yes than say no. It is always easier to create one more law, to put out one more regulation, to create one more agency, to pass one more statute, because unfortunately, an awful lot of us run for election on records, and those records are composed of what bills we have passed in the legislature.

We do not measure success by how we have downsized government, we measure success by how we have increased the scope of government in our daily lives. That is very unfortunate. I think a lot of the folks elected around here in the last couple of terms understand that is not the appropriate measure of what we should be doing in this town, because we simply cannot afford it.

There is a distinction between politics and leaders, between politicians and leaders. Politicians respond to the natural inclination for government to grow. Leaders will make the right decisions. Leaders will say no, because part of leadership is saying no, and that is where the Committee on the Budget is, particularly in the 105th Congress. That is what we are going to deliver to the American people, a real balanced budget with honest numbers.

The second part of the equation is, once we get government to stop growing, how do we empower people? People want to be empowered. As government loses power, individuals gain power. One, we empower people to put more money in their pockets so they can decide how they will spend their own hard-earned money.

There are two issues I would like to discuss with my colleague, the gentleman from California [Mr. COX] this evening, and we may be joined by another colleague, the gentleman from California [Mr. RADANOVICH]. They pertain to two major issues in the 104th Congress with a common goal: how we will empower individuals, how we will empower people to be successful in life.

I am joined by Mr. COX, and I would first like to compliment him on the great leadership he has shown with respect to the first issue, which is the way we penalize success in this country through estate taxation at the Federal level.

I know the gentleman has a number of comments on this subject, so I yield to the gentleman from California [Mr. COX].

Mr. COX of California. Mr. Speaker I thank the gentleman for yielding to me, and I thank the gentleman for coauthoring this legislation with me. We now have, as he knows, well over 100 sponsors, Democrats and Republicans, in this Congress to do what California did by an initiative of the people; that is, repeal death taxes, the taxes on after-tax life savings, at the end of a lifetime of hard work.

A liberal, and I know he is a liberal because he describes himself as such in testimony before Congress, professor from the University of Southern California where I went to college said, as an unrequited liberal he was opposed to death taxes because they are so antiliberal. He called them virtue taxes.

If we think about it, it makes sense. We are familiar with the notion of a sin tax, taxing tobacco or taxing alcohol or taxing gambling. These are called sin taxes. But a virtue tax would be a levy by the government on virtuous behavior, such as saving, investing, working, avoiding conspicuous consumption and instead helping other people.

That, however, is what the death tax is. It tells someone during her or his life that what they should really do if they can acquire any earnings from their work is consume it. Do not save it, do not invest it; use it up, use it up, but surely do not try and use it for the purpose of making your family better off.

It is ironic, because what that does is act as a repealer on human nature. After you get done putting food on the table and clothes on your back and a roof over your head, as a human being the most powerful incentive that you have to continue working is to help those that you love.

So Congress in its infinite wisdom came up with a tax on that virtuous behavior, on continued hard work even beyond what you need for yourself, on saving, on investment, on the avoidance of conspicuous consumption, and called it a death tax, for the reason that, I suppose, we could extract a third time from someone that we had already taxed on income during life, on capital gains during life, more money for the benefit of everyone else.

That would be a great thing if it worked, but it does not, for two big reasons. First, it does not yield much revenue. Less than 1 percent of all of our Federal revenues is provided by death taxes, even though every American knows that there is an army of tax lawyers and tax accountants at work in the industry of avoiding this tax.

The second thing is, to the extent it is paid at all, rich people are not the ones paying it. Rich people like Jacqueline Kennedy Onassis can avoid this tax, as she did when she passed on her estate to her already wealthy heirs with a state-of-the-art trust. Most of that tax liability is thereby foregone.

Peter O'Malley, who many Americans who live outside of California have now come to know as the owner of the Dodgers, at age 59 decided that he had an estate planning problem. The Dodgers were a family owned business. They are a local franchise and a local asset for us in southern California. We certainly do not want it busted up.

But the O'Malley family, and Peter O'Malley specifically, looked at the problems that would be faced for that family owned business if he were to die and he had not liquidated or sold the Dodgers and passed them on to some corporate owner. So with the death tax at 55 percent, somebody like Peter O'Malley has a pretty big incentive to convert that tax liability into a capital gains tax liability by selling the team while he is still alive, and then taking those liquid assets and putting them in the form of a trust or whatever, the fancy tax lawyers and accountants come up with to avoid the tax at death, as wealthy people are wont to do.

Rich people do not pay it, and it does not provide any revenues. It does not work. It fails the test of empiricism, but what it does do is change behavior all over America. Even worse than that, it busts up small businesses; not, typically, Peter O'Malley's Dodgers. They will not be busted up by the estate tax on Peter O'Malley's death, although they might be moved out of L.A. as a by-product of the death tax. But family farms, ranches, small businesses run by people who are cash-poor, who have trouble meeting the payroll on a weekly basis, will get busted up. Seven out of 10 family businesses, 7 out of 10 small businesses in America do not survive the death of the founder. In 9 out of 10 cases it is because of death taxes.

What happens is that if you own something that is an ongoing businesses, the death tax is applied not to your income, not to your wealth, not to your cash or liquid assets, but to the property, and the only way to satisfy that tax is to sell the property in order to create a liquid asset, since the Government will not accept your business in exchange for the tax liability. They want cash.

☐ 2100

You have got to liquidate the business. You have to bust it up. And what happens? The job creating potential of that business is destroyed so no new people will be employed there. But worse yet, the people who did work there lose their jobs. And what is their rate of tax? It is not even the 55 percent, which is a confiscatory rate for a tax on after-tax life savings. It is 100 percent. They pay a 100-percent tax because their entire income has been wiped out. They have just lost their jobs.

This is what is happening to family businesses, to small businesses, to ranches, farms across America. It is responsible for the loss of both new job opportunities and existing jobs.

The White House Conference on Small Business, whose conferees were appointed by President Bill Clinton, made repeal of death taxes, not moderation of death taxes, not reform of death taxes, but repeal of death taxes their No. 4 priority out of over 50 legislative proposals to help small business in America. This is how great a concern this issue is to small business.

We talk a lot about tax simplification. Do you know how many pages of the Internal Revenue Code are cluttered up with the death tax alone? Eighty-two pages of legalese that no American can possibly understand without the help of a fancy tax lawyer and tax accountant. That is just the Code itself.

Then there are several hundreds of pages of tax regulations interpreting those 82 pages that, again, you have got to have paid professionals to interpret and understand.

So what happens is that while the Government does not get the revenue from the tax, as I said, less than 1 percent of our Federal revenues comes from this source, tax lawyers are getting some money. Tax accountants are getting some money. There are a lot of trusts and avoidance techniques that are set up that people are investing in. All of it is make work. No economic product as a result of all this. It is an insipid, wasteful and, I daresay, immoral system.

I will close with this point and yield back to the gentleman by explaining why I go so far as to say this is immoral. I mentioned the reasons that this is a virtue tax, that it directly discriminates against savings, work, investment, the avoidance of conspicuous consumption, so on, but it is even worse than that. It goes further than that in the injury that it inflicts on Americans.

I was talking to a city council representative in one of the cities that I represent. It is a part-time city council. And in his real life, in his working life, outside of politics, he is an estate planner and a tax lawyer. He told me that in a recent day, just before I had spoken with him, he had spent the afternoon with one of his clients on his client's deathbed as that man was passing away. And in the hours that he spent with him, he had him sign documents.

This was at a time when his wife and his children, his family would have loved to be with him and spend their last moments with him while he was spending his last day on Earth. But instead he was with a lawyer signing documents.

This lawyer said to me, this city councilman who also represented his neighbors on the city council, that none of the papers that he had his client sign had any economic effect. There was really no real life consequence to any of these things except this: that if you signed the papers, you did not owe the tax and if you failed to sign the papers, your family would lose the life savings that you had put together so that they could keep on going.

So the man signed the papers, was deprived of those final moments with his family. The Government got no money. The tax lawyer got paid and the tax lawyer came to his Congressman and complained, this is not what Government should do to American citizens in their final moments on Earth.

It is an immoral tax besides being a failed exercise in collecting revenue. I mentioned, less than 1 percent of the revenues are provided by death taxes. Sixty-five cents of every dollar collected are consumed either in administrative costs by the IRS or compliance costs by Americans who are seeking to avoid their tax liability through legal means, hiring tax lawyers and accountants and so on, who are hiring tax lawyers and tax accountants to help them fill out the paperwork so they can pay the death taxes that the Government is not getting appreciable revenue from in the first place.

This is a miserable idea to have on the books. It is a failed exercise. Whatever good intention there may have been behind putting it on the books in the first place, we now have nearly a century of experience with it. It deserves to die. The death tax deserves to die, and we should repeal it. And that is why I am so happy to see so many Members here on the floor fighting for that effort.

Mr. EHRLICH. Mr. Speaker, I again congratulate the gentleman on his great leadership with respect to this issue. We have been joined by two of our great colleagues, Mr. RADANOVICH of California and Mr. HAYWORTH of Arizona. What I would like to do is, Mr. COX, I would like for you to comment on this question as well, because you have pointed up some very pertinent facts concerning the history of this very unfair tax.

You pointed out that it began as essentially a tax on the very, very wealthy. And it has come to represent a real punishment scheme against middle class folks in this country, particularly small business people. I will just cite a recent study from the Center for the Study of Taxation wherein it is estimated that over a 7-year period, GDP would increase $79.2 billion, 228,000 more jobs would be created and private capital would increase $630 billion simply by the repeal of this very unfair tax.

And I have to point out one further fact, the wonderful thing about measuring Government not by how much it grows but by how much it contracts is your bill, H.R. 902. How many pages did you earlier state this particular tax takes up in the code?

Mr. COX of California. In the Internal Revenue Code, 82 pages.

Mr. EHRLICH. Your repeal takes up 7 lines. That is what we should be about in this town.

I know I have a small businessman, a good friend, Mr. RADANOVICH, waiting to speak on this issue. I welcome the gentleman and I welcome my friend, Mr. HAYWORTH from Arizona. I yield to the gentleman from California, Mr. RADANOVICH.

Mr. RADANOVICH. Thank you very much, Mr. EHRLICH.

As my friend and colleague, CHRIS COX from California is one of the many from the 52 Members of the California delegation that traveled to his State back and forth, many of us spend long hours, as do you from Arizona, on the airplane back and forth. I managed to get hold of an incredible book that I would spend my time reading going back and forth across this country. It is called ''Undaunted Courage.'' It is by Stephen Ambrose. It is the story of the discovery or actually the mapping of the Louisiana Purchase by Meriwether Lewis. And he was sent out in the 1800's, 1804, by the third President of the United States, Thomas Jefferson, to explore what was recently purchased as an addition to the United States. I read with fascination and interest the stories of risk that that man took, Lewis and Clark, both of them, and their party, in coming across to discover this new land and map out this continent.

I cannot help but think what either Meriwether Lewis or Thomas Jefferson would have thought had they realized that this country had come to the point where the U.S. Government is taking away wealth from not even the rich, I mean this is middle-class stuff here, and that they are actually into income redistribution.

It was fascinating to make that comparison of when you go back and you are privy to so much here in Washington about how this country started and the founding principles and the people and the ideas they had and such hope that they had for the American people, then come to find out that we are in a situation where we are charging capital gains and we are imposing a death tax on the American people. Frankly, I just do not think it was really what they intended when they put this country together with the ideas that they, the founding ideas that they came up with.

So it is unfortunate, I think, that we have come to this position, what we the American people have allowed to become commonplace, which ought to be considered either the extreme or the absurd by us in this, in the form of those types of taxes.

Granted, there are those that would argue that income redistribution is good for the poor and gives a leg up to the poor and needy. And I just have to say that that is not the case and that the American people, who are very generous people and who are encouraged under freedom to take care of their weaker neighbors, do not have to resort to a government-imposed tax to redistribute wealth in this country.

It punishes accomplishment. It punishes success. It is an infringement on the rights of the family institution in this country and really is counterproductive. Unfortunately we have gotten to the point in this country, I guess that is my observation, that this is accepted. This is the norm. I cannot help but think about those early explorers of this continent and the Founders of this Nation who had, if they had any idea what kind of taxes this Government was imposing for the various reasons that they do, they would be rolling over in their graves right now.

Mr. EHRLICH. I agree with the gentleman and I really think the gentleman has hit the bottom line. At some point in this country, in this very House, the collective decision was made to punish success and punish risk in the capitalistic society. When you think about that, it really makes no sense.

I have another question for the gentleman from California, but first I want to recognize our good friend, Mr. HAYWORTH of Arizona, who I know has some very articulate views on these two issues.

Mr. HAYWORTH. Well, I thank my colleague from Maryland.

Mr. Speaker, as I was listening to my two colleagues from California, I thought some incredibly valid points were made this evening in this Chamber to the rest of the American people. My colleague from Orange County pointing out in a very poignant fashion the human toll, the emotional equation that was sacrificed in the name of accounting brought about by this radical redistribution of wealth, this success tax, this death tax, and my colleague from northern California, the first vintner to work in elective office as a constitutional officer since the third President of the United States, Mr. Jefferson, history will provide us the answer whether or not my colleague from northern California will follow Mr. Jefferson as time passes, but you ask the question historically, what would our founders say, not only explorers such as Meriwether Lewis, not only figures such as Thomas Jefferson, but one of those great men who really had a life that in many ways paralleled Jefferson's, overlapped, Jefferson's indeed one of the other founders of this Nation, Dr. Franklin of Pennsylvania, Benjamin Franklin, not only one of our founders but, at the time of this emergence on the American scene, one of our great humorists and philosophers. And I believe it was Dr. Franklin, in his writings for Poor Richard's Almanac, who said there were two certainties in this life: death and taxes.

But I do not believe even Dr. Franklin, with his prescience, could have told us that today this constitutional republic would tax people upon their death. Of course, in the wake of the largest tax increase in American history visited upon the American Nation of the 103d Congress, when our current majority was in the minority, when three of us amongst the four were private citizens, a retroactive tax increase at that.

Mr. Speaker, colleagues, I have been across the width and breadth of the Sixth District of Arizona, visiting with a variety of constituents in a variety of town hall settings. And from retirement communities in Sun Lakes to high school classes in Fountain Hills to gatherings in Flagstaff and, indeed, this Saturday in Payson, AZ, on topic continues to come up. It is this death tax so onerous, so oppressive that we pay with a human toll that even as eloquent as the numbers my colleague from Maryland offered tonight, takes a human toll not only on the families affected, as my colleague from Orange County, CA pointed out, but also upon what could be the creation of new jobs, the expansion of wealth, the preservation of small businesses.

That is why I am so pleased that my colleague, Mr. COX, has introduced his legislation. That is why I am honored, as the first Arizonan to serve on the House Committee on Ways and Means, where we have jurisdiction over these issues of taxation.

☐ 2115

While I am so enthralled with the majority on that committee, the gentleman from Texas, Mr. ARCHER, and many others, who want to throw off the yoke of oppressive taxation to offer true compassion to the American people, not some formula for the radical redistribution of wealth that would tell the American public that Washington knows best, but a notion that people could truly put their families first and in so doing could provide for others through the virtues of our free market, that is the challenge that confronts us today.

From Fountain Hill to Sun Lakes to Flagstaff, I am hearing from constituents of all ages of their very genuine concern about the death tax, their very real reservations about our entire system of taxation, and a notion that, yes, some tax must be paid, of course, but why would we punish success? Why would we punish people who have taken risk, who have provided jobs, who have helped to build the economy? What is inherently selfish about that? For it is not greed; it is, instead, benevolence and true compassion through the free market to offer jobs.

While many in this Chamber may disagree, and if there is a major philosophical divide in this 105th Congress amidst this era of good feelings and bipartisanship, it is of course the notion that our opponents believe, many of them, that a centralized government redistributing the wealth knows what is best. We say the contrary is true; that the American people, working families, since this tax extends now not to the super wealthy but to those of moderate means, who have worked all their lives, to, yes indeed, working families, by allowing those families to provide for themselves, by allowing the fruits of their labor to be invested, we will in fact continue to build this economy and continue to be the envy of the world.

So I am honored to be here. I certainly appreciate the efforts of my colleague from southern California, and I thank the gentleman from northern California, and my good friend, who makes, in essence, a half an hour or 45-minute commute from his district in Maryland, and we invite him out West to catch up on his reading from time to time and also visit with some of our constituents. I think we understand what is a truth which stretches from coast to coast and, indeed, to the 49th and 50th States of our Union as well.

Mr. EHRLICH. I thank the gentleman for his invitation, it is accepted.

Mr. HAYWORTH. Indeed.

Mr. EHRLICH. I wanted the gentleman from Arizona and my classmate, the gentleman from California, to respond to this question, but I will first direct it to the senior member of this group, the other gentleman from California, Mr. COX.

We have talked about the state of the law. We have not talked about how it got to be what it is. We talk about success, and the gentleman from Arizona and the gentleman from California were very eloquent, but when we think about it, risk is really at the bottom of success, because what do we do in a free society? We encourage folks, companies, individuals, sole proprietors to go out and risk sometimes their life savings to start a business, to expand their business. Within successful risk we have jobs and jobs creation.

I have a quote from Chairman Greenspan, who appeared before the House Committee on the Budget last week and in front of the Senate Committee on Banking, Housing and Urban Affairs in February. On capital gains this time. Think about these words: ''I think it is a very poor tax for raising revenue.'' This is a quote. ''And, indeed, its major impact, as best I can judge, is to impede entrepreneurial activity and capital formation. While all taxes impede economic growth to one extent or another, the capital gains tax, in my judgment, is at the far end of the scale.''

Think about those words from the chairman. Think about what we know. Think about what the gentleman hears in Arizona, what the two gentlemen hear in California, what we hear every day, what we have lived. And my question to Mr. COX is, how did we get to where we are? How did the gentleman, who has been a great leader on these issues, and others in this body have been great leaders on these issues, how did we fail to send the right message to the American people that we will no longer penalize risk in this free society?

Mr. COX of California. Like so many things, and I thank the gentleman for yielding, these taxes were born of good intentions. Like so many government programs, they started out as simple things and grew into complexity and, in fact, inefficient complexity, so much so that they fail utterly in achieving the intended purpose. Capital gains is a perfect example.

As recently as 1978, capital gains taxes were even higher than they are now. And in 1978 there was a bipartisan effort to reduce that rate of tax on capital gains. Because back then, in 1978, people knew if we called it capital gains, the country might not understand what we were talking about. They understood it for what it really was, a penalty tax on savings and investment.

On a bipartisan basis, I remember the gentleman from California, my Senator, Alan Cranston, my Democratic Senator, fought very hard to reduce that penalty tax on savings and investment because it was depriving people of the opportunity to work. It was killing jobs, to put it quite simply.

So we reduced the rate of tax in 1978 from a very punitive nearly 50 percent down to 28 percent. And the truth is that, although all the government revenue estimators predicted that we would lose money, because after all we made the rate of tax lower, the next year, what happened? The Treasury of the United States collected more money in so-called capital gains taxes, it is actually a penalty tax on savings and investment, than they had the year before. And the same thing happened the next year and the next year.

It was $9 billion that the government got in 1978. They were getting $11 billion from that tax at a lower rate of 28 percent in 1980.

Mr. KINGSTON. Would the gentleman yield for a question?

Mr. COX of California. Of course. Be happy to yield to my colleague.

Mr. KINGSTON. Would the revenue from capital gains taxes go up because there were more transactions, because people no longer hoarded their money but they went back into the marketplace and traded goods?

Mr. COX of California. That is precisely what happened. Capital gains realization, and we have the data on that as well as we do on revenues, skyrocketed. So what happened in 1981? We passed the Economic Recovery Tax Act and reduced that rate of tax still further, all the way down to 20 percent from an initial high rate of 48 percent.

And once again the government revenue estimators said if we reduce the rate of tax on capital gains of course we will get less taxes. And they ignored 3 years of history when they said that. But we then found in 1981, 1982, 1983, 1984, 1985, all the way to 1986 that revenues went up and up and up, from that basic $9 billion at the high rate of 48 percent, to $50 billion at a rate of 20 percent.

And why did it stop in 1986? The gentleman asked how we got here from there. Because Congress decided this had been such a successful experiment moving the rates down, they wondered what would happen empirically if we raised them, and they raised the rate of tax on capital gains back up again. Revenues fell off to $33 billion from $50 billion in 1 year.

And as of now, as we debate here tonight, the Internal Revenue Service's most recent data are that we still have not got back up to the level of capital gains revenues to the Treasury of the United States that we had in 1986, 10 years later.

That is how we got there from here, with the best of intentions. And our Government revenue estimators, even now in 1997, are telling this Congress that if we reduce the rate of tax on capital gains, the Government will lose revenues. Where have we heard that before?

If we did not like all the empirical evidence from America, we could look at Mexico and other countries that have had this same experience and we could find that, as my colleague points out, there is more economic activity stimulated. When we have a more moderate rate of tax, the Treasury makes out better.

So if we are worried about education, the environment, transportation, national defense, national security, anything that we would expect our national Government to do, we would have more resources to do it by plucking the goose more gently. But these punitive high rates of tax on savings and investment are killing the country, killing job creation.

Ultimately, the rich do not pay because the rich have salted away enough already. The people that pay are the ones who pay with their jobs. If we have a death tax that literally causes the business, their place of employment to be busted up, of course they lose their jobs. Of course they pay a 100-percent rate of tax. Of course they are the ones bearing the entire burden on their shoulders.

I wanted to make one more point and yield back. We have talked about how we are punishing success with the death tax. We are also not just punishing people of modest means, we are punishing people who can barely scrape by, because there is nothing in the death tax that says you have to be making money.

What the death tax says is even though individuals paid property taxes on their assets throughout the lifetime of their business, year in and year out, even though they paid income taxes, we do not care if they have any net income in this business, we will take a look at their balance sheet and see what assets they have, and we will force them to liquidate them and pay taxes on their net asset value.

So let us say that an individual is, as farmers like to call themselves often, cash poor and land rich. The only way an individual could have any money is to sell off the whole farm. That is what the Government wants them to do. That is what they want that family to do. They want the family farm to suffer. Bust it up, sell it, corporatize it, get rid of it, as long as the Government gets its death taxes.

The only people that are unlucky enough to be in this position are the folks who are cash poor because they could not hire the tax lawyers, the fancy accountants to do the tax avoidance trusts that all the rich do to avoid paying this tax, which is why less than 1 percent of our Federal revenues come from this.

Even then this is the most inefficient way that the Government could imagine to collect tax because, guess what? We do not know what this is worth. We do not know what the property is worth. If it has been a family business for a long time, they have not been selling it back and forth, it is not a marketable asset. And if they are busting up the business, it is no longer a going concern, so what is this asset worth all by itself?

So the family, the heirs, the people who are trying to carry on that business, but cannot, have to get in a lawsuit with the IRS. And how often does this happen? Right now, as we debate here tonight, there are 10,000 active lawsuits over the question of valuing the estate under the death tax. That eats up all the money that the Federal Government might have gotten out of it because we have to argue for years in court about what the thing is worth.

It is a hideous example of government run amok. Perhaps with the best of intentions it was put on the books in the first place, but it does not work and the death tax deserves to die.

Mr. EHRLICH. I thank the gentleman for the history lesson. I appreciate it very much. I think we all do.

Only in this town do people think that when we raise taxes we generate additional revenue. It just does not work that way, and the gentleman's numbers speak for themselves. History, the empirical evidence, speaks for itself.

We have been joined by our friend, the gentleman from Georgia, Mr. KINGSTON, who I know is over there chomping at the bit as well. I welcome him to our discussion here tonight.

Mr. KINGSTON. Mr. Speaker, I thank the gentleman for yielding. I wanted to talk about three people who I know to be constituents and I have changed their names only.

One is a man who worked hard all his life and had a good income, was not wealthy, he made about $40,000 a year his last couple of years. That was the peak of his income. He saved his money all his life, buying Exxon stock or IBM, the blue chip stuff in the 1960's and the 1970's. Now that stock has tripled in value and he has accumulated assets and he cannot sell it for a medical emergency or long-term care in his retirement now because of the huge capital gains tax.

Another person. A widow. Lives out on Whitmarsh Island. I represent the coast of Georgia. Whitmarsh Island is a beautiful barrier island. Actually, it is not a barrier island, but it is an island. Waterfront property. The woman bought the land with her husband in the 1960's, and in the 1960's this property, which is 2 or 3 acres, was worth $25,000. Today that same piece of property is worth $500,000. Husband is dead. She is now a widow. She is on a fixed income and she has a fixed income of about $15,000 a year.

If she sells the property to raise money for long-term care, she is taxed at the $500,000 tax bracket or whatever she can get for the property. Again, she would be helped by a capital gains tax relief.

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Another one, a young person, somebody who is about 38 years old, bought some land in a commercial-residential mix area, an area that was going commercial. It was a house. He paid $35,000 for it 10 years ago. Today that land is worth about $50,000. So he would have a gain of about $15,000. Revco came in, the drug store, and offered to buy that land from him. He did the math on it and found out that after paying the capital gains on it, he would not have made any money off it after holding it for 10 years. So he says to Revco, ''No, I don't choose to sell.'' What does Revco do? They move elsewhere. That is two or three jobs right there in his neighborhood that would have been created, that needed to be created, that could not be created because the capital gains tax said no deal.

The tax system is slowing down the economy, slowing up potential for growth, and penalizing our elderly. Those are 3 real life examples that I know of.

Mr. EHRLICH. I thank the gentleman from Georgia. I think it is very important that we in these discussions talk about real people in real life in real situations facing real problems because of the real burden we place on people in this town.

Speaking of real small business people, I know the gentleman from California [Mr. RADANOVICH] recently married, and we all congratulate the gentleman, our good friend. He has a real life story of his own.

Mr. RADANOVICH. My appreciation to the gentleman from Maryland and my wife in the gallery says to say hello.

Mr. Speaker, the comment that I did want to make is that, first, in reference to starting business and what you had eloquently said earlier about the fact that those who take the risk should get the reward.

One of the things I find very, very interesting in having taken a certain amount of risk on my own in the private sector is that there are a lot of people that are there that want a piece of that that may not have taken that certain element of risk and it is very, very important to understand that that is part of the reward from stepping out and doing something that might be out of the norm, in creating wealth or in any venture. Those who take the risk deserve the reward. They should not be redistributed.

The final point that I want to make, unfortunately I have to leave the Chamber, it is when government begins to get too big, when it becomes too large in the great scheme of things in America, when it begins to assume too many responsibilities from the American people, when it becomes activist in social issues and begins to get involved in social engineering, you do have to dream up quite a few different ways to raise revenue. What might be the norm, and how to levy taxes on, say, sales tax or income tax, which has even been accepted as the norm these days, you can go the extreme on issues such as capital gains and estate taxes. It is because I believe that government has gotten far too involved in social issues that they have gone so far as to levy taxes in areas where the Constitution never meant them to be in the first place.

Again, it is not the responsibility, I think, of the Federal Government to be enhancing the social network or to be getting involved in social activism. I would read in the Good Book that there is a story in the Bible that talked about the man who gave equal amounts of money to three different people and he punished the one who hoarded the money. It is the responsibility of Americans, I think, with the money that they have been blessed to be able to earn, to regenerate that, to create jobs with it, to reinvest it in their community, to create jobs for many, many people. It is not up to the Government to take that money away and penalize that person for their own initiative and somehow be responsible for that moral obligation of creating wealth and providing jobs in the community of Mariposa or Timonium or in Tempe or in some of those other areas. It is not Government's responsibility to be doing that. It is the individual wealth creator's responsibility to be doing that. Again, it is just another example of somehow, somewhere through the process of government getting way too big and getting involved in way too many things that they have dreamt up this idea that they should social engineer this country and, oh, by the way they are going to impose a death tax and they are going to impose a capital gains tax to fund this thing and, by the way, is the social fabric of this country any better over the last 30, 40, 50 years? I say no, absolutely not. Not only have they decided to get into the business of social activism by imposing taxes of such an abnormal nature as these, they have made things worse and they have done a poorer job of it.

I think that is sum and total what we face when we are in Washington, us being freshmen and having the privilege of being here with the gentleman from California [Mr. COX] and the gentleman from Georgia [Mr. KINGSTON], is that we have the ability now to change something like that. But somebody has to understand whose responsibility is it to create wealth in this country, whose responsibility is it to create jobs, and that is something that is a moral imperative that should not be the responsibility of the Government.

Mr. EHRLICH. Well put. I thank our colleague from California.

The gentleman from Arizona earlier used the phrase that folks, quote, want us to throw off the yoke of oppressive taxation.

My inquiry to my good friend is, is there anybody in Arizona who thinks they could do better with a few more bucks in their pocket, who believes that a cut in the capital gains rate, or elimination of capital gains differential in this country, will result in an awful lot more economic freedom and capital formation and jobs and wealth creation?

Mr. HAYWORTH. I thank the gentleman for yielding. To answer his question, what I hear from people of various political persuasions, indeed if we return briefly to the political season, one of the areas of discussion was the notion of helping working families. As our colleague from southern California has pointed out, as our colleague the gentleman from Georgia has recounted with real-life experiences, as I hear in town hall meeting after town hall meeting, there is an insistence, not born of greed but of genuine compassion and old-fashioned Yankee ingenuity, that people want to hang on to more of their money to save, spend and invest as they see fit on their families, not rejecting the notion of compassion but to truly be compassionate. And so what I hear, to answer my colleague's question, is widespread interest in changing, repealing as my colleague from southern California says, death to the death tax, and rethinking and reducing the capital gains taxes.

Indeed, we might point out, Mr. Speaker, for some of the American people who join us here, as my colleagues from Maryland, California, and Georgia have been talking tonight, just a brief lapse into previous terminology. When we talk about the death tax, it is truth in labeling, because under the current scheme, in the current lexicon, people talk about estate taxes as if this were some sort of palatial gains. It does not tell us the truth. It is a tax literally upon people who die, there is a penalty for dying, and my colleague from California pointed it out.

I just wonder, Mr. Speaker, if we should also come up with a new term for the capital gains tax. As my colleague from Maryland pointed out, since people want to see a reduction in those rates, should we then rename that the success tax, because you are taxing and penalizing success.

Mr. COX of California. You might have to call a significant part of it the inflation tax because, just like with death taxes, there is no rule that says you have to be successful in order to have to pay it. The capital gains tax, or what I prefer to call the penalty tax on savings and investment, might also be called the inflation tax because, as we all know, we have inflation in this country and over time it adds up a great bit.

If you buy a piece of land, you buy an asset, you start a small business, just to use an obvious example of a corner grocery store, although we do not have too many of those, partly for this reason, in America, but let us say you have got a corner grocery store. And so you buy the store. The Tax Code says that is a capital asset. If you paid $10,000 for it 20 years ago, with inflation, what is that worth today?

I do not have my calculator, but anyone can figure out it is not 10 grand anymore. If you sell the grocery store for less money than you paid for it in the first place, the nominal selling price, because of inflation, is going to be more than you paid for it and you are going to be taxed on the difference. So even though in real life you lost money, you are not a rich person, they are going to start requiring you to pay tax on that sales price.

The truth is that because we have not indexed for inflation a property tax, you do not have to make money, you can be losing money and still owe a significant tax. It can be a tax that wipes out any hope that you have of even surviving, particularly if that was your life savings, particularly if that is your only asset in life. To take someone's entire life earnings, their entire life's work and tax it all in one accounting period as if it is just income from a job, particularly when they paid income tax on it all through their life, is not only double taxation but it is punitive and it is an inflation tax, QED.

Mr. KINGSTON. If the gentleman will yield, there is also certainly class envy in this to some degree that we do have certain politicians playing on class envy because they can get reelected easier if they stir up income groups against other income groups. Nowadays it just seems to be horrible to be successful.

For example, in Atlanta we have CNN. Ted Turner brought it in. If we have a capital gains tax reduction, will Ted Turner make out? Yes, he will, and I do not think it is a virtue for me to bash him for that. Is CNN good for Atlanta? Yes. Has Ted Turner brought lots and lots of jobs to Georgia? He certainly has. Has he taken lots of risk? Yes, he has. For that he has been rewarded through the accumulation of personal wealth, and I do not think because of that that I need to sit back and say, well, let us tax him more because he has been successful.

I was talking to a group of people one time, I said, ''When you die, should your house be cut in half and part of it go to the Government? If you have two cars, for example, should one go to your children and the other one go to Uncle Sam?'' They said certainly not. I said, ''You realize,'' and maybe the gentleman could correct me if I am wrong, but I believe the threshold is $3 million, ''if you have an estate of $3 million, the tax rate becomes 53 percent, I believe, or thereabouts.''

Mr. COX of California. Fifty-five percent, actually.

Mr. KINGSTON. OK, 55 percent. So if you have an estate of $3 million, when you die Uncle Sam is going to get half of it. Not your children, not your grandchildren, not your friends, not a charity, but Uncle Sam. You talk to people about that, they do not realize that, because most of us will not accumulate $3 million, unfortunately. But still, just because they have been successful, they have to have a 55 percent tax rate when they die.

Mr. COX of California. If the gentleman will yield, it is very important to stress this point. It is the one that my colleague from Arizona just made a moment ago. This is not a tax on estates as in mansions or what have you.

Imagine, for example, a real-life example of a tree farm. Let us imagine that the land that underlies the tree farm is worth $3 million. But let us imagine that this tree farm, as it currently exists, has been very carefully husbanded by, as is true in this case of the Mississippi tree farmer, the grandson of slaves, who has gotten not only his family but a whole lot of the people in the area employed there.

And then let us imagine that this man is getting on in his years, and he is beside himself because he cannot think of any fancy estate planning technique that will keep that tree farm alive. When he dies, he is looking death in the eyes now because he is on in years, he knows that his family, his sons and what he considers to be his extended family, the people who work on that farm, are going to lose their opportunity to run it, the thing that he built up throughout his life, because they are going to have to liquidate it, sell it, put it on the auction block in order to pay the tax man, and there will be no more tree farm.

Do you know what is going to happen to that land? It is going to be developed. It is going to be subdivided, it is going to be purchased by somebody who is going to put houses on it, a shopping center, a strip mall or whatever it takes commercially to take advantage of the fact that after capital gains taxes, after death taxes and so on, this has some economic viability. So somebody who buys this property is going to want to make money on it, because that is life, and we now have, with death taxes, an additional casualty.

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Not just Mr. Thigpen, the name of the man in this real life example, and his family and the people who work there who pay 100 percent tax when they lose their jobs, not just the loss to society of this tree farm, which has won environmental awards, not just the fact that the whole business is going to be wiped out, not just the unfairness of it all, but environmental destruction on top of it, improper stewardship of our natural resources, because the Government is so ham fisted and foolish about the way it collects revenue.

Mr. EHRLICH. Mr. Speaker, the gentleman from Georgia brings up a really interesting point which was really part of our earlier discussions concerning how we got here, how we got to where we punish people who go out and take risks and accumulate capital and create jobs. And the gentleman talked about class jealousy, class warfare, and is it not true that unfortunately in American politics today class warfare, successfully argued, leads to votes? Is that not a proven formula? Is that not unfortunate? Is that not an unfortunate comment about the state of debate in our country today when it comes to what should be relatively— and I understand the gentleman from Arizona talked about earlier there are philosophical differences, legitimate philosophical differences, on the other side, but the fact is and the evidence, as the gentleman from California has articulated tonight, the evidence is such that decreasing taxes, ceasing the punishment of success results in economic growth, but not necessarily votes.

Mr. COX of California. If I might just interject, one of the reasons you see some Californians out here on the floor is that California repealed our death tax by the initiative of the people, and every time you hear somebody say class warfare, you know only some small segment of the population will go for repealing death taxes, do not believe it. The most populous State in the Union repealed our death taxes by an initiative of the people, and we can do it in the people's House.

Mr. KINGSTON. If the gentleman will yield, you know what this is about, as Mr. COX just said, this is not about protecting the assets of wealthy families so that when the oldest person or whoever dies that it can be passed on and then the rich can remain rich. This is about economic prosperity, creating an American dream that is accessible for everybody where the unemployed can get a job, get on the economic ladder and go out and share in the American dream through upward mobility. We are talking about a tax system not to protect the rich but to create opportunities for everyone so that the American dream is accessible.

Mr. EHRLICH. I thank the gentleman from Georgia.

The last word goes to my colleague from Arizona.

Mr. HAYWORTH. I thank my colleague from Maryland for organizing this special order this evening, Mr. Speaker. I would simply point out another real life example that reaffirms the fact that this even affects working families.

Once on national television, on C-SPAN I, one morning one of my constituents called in discussing his situation in Pinetop/Lakeside, the fact that he was a working man, and as my colleague from California pointed out, because of inflation involving some of his land holdings, land that he had invested in, pinching pennies, if you will, trying to take care of his family and also provide for them. When he chose to sell that land, he was penalized; he remained in essence cash poor. That is the unfairness of the success and inflation tax otherwise known as the capital gains tax.

I thank my colleague from California for giving us a real life example of what happens when a group of people say death to the death tax. It can provide new economic life and vitality for scores of Americans. It offers true compassion not through the radical redistribution of wealth, executed by Washington bureaucrats, but through the drive, energy, tenacity, and ingenuity of the American people who are willing to save, spend, and invest in their own families, give of their own hearts to charity and in essence help provide for the next generation.

Mr. EHRLICH. Mr. Speaker, I thank all my colleagues.

TIME TO END CORPORATE WELFARE AS WE KNOW IT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York [Mr. OWENS] is recognized for 5 minutes.

Mr. OWENS. Mr. Speaker, it is time to end corporate welfare as we know it, and many of the kinds of tax cuts we are talking about before for individuals, certainly the capital gains tax on homes, would be eliminated or could be eliminated if we were to go after our Tax Code and make the necessary adjustments and close the loopholes and end corporate welfare. It is time to end corporate welfare as we know it. Great injustices have been done over the past 2 years as we have sought to cut back on expenditures. We have gone after the poor, we have used a microscope and focused it on the weakest and poorest of Americans.

A great injustice has been done in the welfare cuts. It is estimated that as many as 2 million children will go hungry as a result of welfare cuts. A great injustice has been done in the immigration reform. The cuts that take place as a result of immigration reform are elderly people who are not citizens, who in large numbers will end up going hungry, and some will starve, you know. And now we have a situation where we place a microscope on the poor who receive Social Security and