



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 106th CONGRESS, FIRST SESSION

Vol. 145

WASHINGTON, MONDAY, MARCH 8, 1999

No. 36

Senate

The Senate met at 12 noon and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

Merciful God, we want to live our lives in grateful response to Your goodness. May Your goodness bind our hearts to You. There is no limit to what we are able to accomplish when love is our motivation. Help us to live this entire day as an expression of our love for You, for all the grace You have lavished upon us. Rather than living by obligation or oughts, may we do our work today as our way of telling You how much we love You. We are so thankful for Your care, for the privilege of living in this free land, for our families and friends, and for the opportunity to serve You in the formulation of public policy for the welfare and prosperity of all people. Our goal is to enjoy this day to the fullest. Through our Lord and Savior. Amen.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The able acting majority leader, the Senator from Minnesota, is recognized.

Mr. GRAMS. I thank the Chair.

SCHEDULE

Mr. GRAMS. Today the Senate will be in a period of morning business until 2 p.m. Following morning business, the Senate will resume consideration of S. 280, the education flexibility partnership bill. Under a previous order, the Senate will vote on the motion to invoke cloture on the Jeffords substitute amendment at 5 p.m. this evening. Therefore, Members have until 4 p.m. today to file second-degree amendments to the Jeffords amendment. As a reminder, a second cloture motion was filed last Friday, and therefore a clo-

ture vote will occur tomorrow unless an agreement can be reached between the two sides on how to proceed expeditiously with this bill.

Mr. President, also under rule XXII, Members must file first-degree amendments today to qualify for the second cloture vote tomorrow. I thank my colleagues for their attention.

Mr. President, I believe, under a previous order, I have control of the floor for the next 30 minutes or until 12:30.

RESERVATION OF LEADER TIME

The PRESIDING OFFICER (Mr. SESSIONS). Under the previous order, the leadership time is reserved.

MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will now be a period for the transaction of morning business not to extend beyond the hour of 2 p.m. The time between 12 noon and 12:30 p.m. shall be under the control of the Senator from Minnesota, Mr. GRAMS, or his designee.

The Senator from Minnesota is recognized.

Mr. GRAMS. I thank the Chair. I also expect to be joined in a few minutes by Senator TIM HUTCHINSON of Arkansas and also Senator ROBERT SMITH of New Hampshire, and I will yield time to them as they come to the floor this morning.

THE INCOME TAX ANNIVERSARY

Mr. GRAMS. I wanted to take a few moments this morning to talk a little bit about birthdays and anniversaries. As we know, basically they are happy remembrances of events we should celebrate. Eighty-six years ago today, the Internal Revenue Service began to levy and collect a personal income tax on the American people.

I believe this is nothing to celebrate. To borrow a phrase from Ronald

Reagan, you will excuse the taxpayers if they don't celebrate the daily mugging that we call the Tax Code.

As we note the sad occasion, I rise to call upon Congress to take immediate action to end the Federal Tax Code as we know it and replace it with a new system that is fairer, simpler, and friendlier to the taxpayers. I also call upon Congress to take immediate action to reduce the ever-increasing tax burden by providing meaningful tax relief for every working American. Now, that, Mr. President, would be something to celebrate.

This great Nation was born out of a tax revolt. The revolt didn't come about because our Founding Fathers were selfish but because they didn't want to be shackled by Government regulations, intrusive bureaucracies, abusive taxing powers, and the unjust policies of their homeland. They didn't want to send their hard-earned money to an English Parliament that wasted every penny of it without any respect for those who earned it.

The Boston Tea Party was the result of a one-half of 1 percent tax that was levied on the Colonies. Put that in terms of today's tax burden.

This tax revolt was about freedom; it was about liberty; it was about a person being able to own more of the fruits of his labor rather than being strangled by the albatross of taxation.

Our Founding Fathers understood well that low taxes and freedom were directly related. To protect individual liberty from future abuses, they crafted clause 4 of article I, section 9 of the U.S. Constitution, that is, rejecting all direct income taxes that were not appropriated by each State by its population.

This clause, as originally adopted in the Constitution, reflected the genius, the wisdom, and the experience of our Founding Fathers—protecting individual liberty by limiting the Government's power to tax.

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.



Printed on recycled paper.

S2381

For more than 100 years following the founding of this Nation, the American people enjoyed tax freedom and did not pay any income taxes. The Supreme Court defended this freedom and held the income tax to be unconstitutional. Unfortunately, under the direct influence of the rise of socialism in Europe at that time, on February 3, 1913, the 16th amendment to the Constitution was ratified, giving the Government unlimited power to tax. And then on March 8, 1913, the IRS began collecting personal income tax. The ratification of the 16th amendment and the enactment of the first Tax Code fundamentally eroded our individual liberty. Initially, less than 1 percent of all Americans paid any kind of income tax. Only 5 percent of Americans paid any income tax as late as 1939 before the beginning of World War II.

Times, as we know, have changed dramatically. Today, the Federal tax burden is at a historic high. Federal taxes now consume nearly 21 percent of national income. A typical American family pays \$9,000 a year in Federal tax. A median-income family can expect to give up nearly 40 percent of all of its income in Federal, State and local taxes. And that is more than it spends on food, clothing, transportation and housing combined.

Mr. President, every year the tax system pushes more and more Americans into higher and higher tax brackets, and that is to meet the demands of ever-increasing Government spending. It is an old saying, but it has never been more true, that "Government is an endless pursuit of new ways to tax."

The tax system has created a monstrous bureaucracy—the intrusive, abusive Internal Revenue Service. More than \$7 billion in taxpayers' money annually goes to support the operations of the Internal Revenue Service. Those dollars have built a tax system that is extremely complicated and difficult for anyone to try to understand. The Tax Code originally was only 14 pages when it was first enacted, but today it has grown to more than 10,000 pages. And it costs hundreds of billions of dollars for taxpayers to comply with its dizzying requirements.

There is a growing national consensus that the current Tax Code is antifamily, it is antieconomic growth, it is unfair, it encourages abuse, waste and corruption, and it needs to be terminated.

I thank my colleague from Arkansas, who plans on introducing legislation—he did introduce legislation last year—that would do just that, that is, eliminate the Tax Code as we know it. I was proud to join him as an original cosponsor, and I look forward to supporting his efforts once again this year.

The next question to answer is, How will we replace the Tax Code since there is a need for Federal revenues to fund defense and foreign policy needs as well as some Federal programs?

Mr. President, I have been exploring alternative tax systems for quite a

while. After considerable study of the issue, I believe the national sales tax plan that has been developed by Americans for Fair Taxation is the best replacement for the Tax Code.

Any new tax system must restore our fundamental principles of low taxes and limited taxing power. It must fairly and efficiently distribute the burden of funding our Government, promote economic growth, simplify compliance, and offer every American better economic opportunity.

The Fair Tax system, which I intend to introduce soon, meets these important criteria. It is a fairer, simpler, friendlier tax system. It will increase economic growth, investment, capital formation, and the creation of jobs and savings.

Under the Fair Tax system, working Americans keep 100 percent of their pay, pension, or Social Security check. They no longer need to file a tax return with the IRS. Their family's finances are not revealed to Government bureaucrats.

They will not be penalized for getting or staying married—or dying, for that matter. Everyone pays the same tax rate without loopholes for special interest groups. There will not be any hidden taxes and everyone will easily understand the tax and how much tax they are paying. And finally—the good news—it will abolish the IRS.

Mr. President, does this sound too good to be true? It may sound that way, but believe me, it is real. Let me briefly highlight how my Fair Tax legislation will achieve this.

First, the legislation will call for the repeal of the Constitutional Amendment that created the tax nightmare we find ourselves in today. As I noted earlier, the 16th Amendment is the root of all tax evil.

It abandons our Founding Fathers' core principle by giving the Government unlimited power to tax the private income of the American people. Without repeal of this Amendment, any tax system will eventually erode into the very system we have today.

Second, the legislation will repeal the income tax, the payroll tax, the estate tax, the gift tax, the capital gains tax, the self-employment tax, and the corporate tax.

Third, the legislation will impose a single rate on all new goods and services at the point of final purchase for consumption, and it provides a universal rebate in an amount equal to the sales tax paid on essential goods and services, to help lower-income individuals.

Every American will be better off under the Fair Tax system than they are under the system that today holds them captive. I believe it will create expanded economic opportunities for our Nation and for our people.

I realize it will take some time to pass tax reform, so in the meantime, I strongly support reducing the tax burdens of overtaxed Americans.

The American people have good reason to ask for a tax cut.

Since 1993, Federal taxes have increased by 50 percent. They have grown twice as much as Government spending and as a result, Americans today have the largest tax burden since World War II, and it is still growing.

What is most devastating is the "middle-class tax squeeze." More and more middle-income workers are being thrown into higher tax brackets. There is no excuse to continue taxing middle-income Americans at such a high rate in an era of budget surpluses.

More Americans are working harder and are earning more today. But a large share of the higher incomes of hard-working Americans are not being spent on their families' priorities, but are instead being siphoned off by Washington.

This is not fair. People work hard and are then penalized for their work. With punitive taxes, Washington makes the American dream of working hard for a better life more difficult to achieve for many—and impossible for some.

That is why Congress needs to take immediate action to provide meaningful tax relief for all working Americans.

Our exceptionally strong economy will generate an enormous non-Social Security surplus over the next 10 years.

This surplus enables us to provide a broad-based tax cut for overtaxed Americans—again, without new red ink, and without spending any of the Social Security surplus. The surplus will also allow Congress to retire some of the national debt every year.

If we do not return the surplus to the taxpayers, Washington will spend every penny of it to expand the Government.

In addition, broad-based tax relief is an insurance policy for the American economy, helping to keep it strong and healthy.

Most economists, including Chairman Greenspan, agree that an across-the-board tax cut is good for America. I will be addressing S. 3, my 10 percent across-the-board tax cut legislation, later this week in more detail.

Today, I want to remind my colleagues about the anniversary of the income tax and the hardship the Tax Code has placed on our people—again, an anniversary I do not think worth celebrating.

So, I urge my colleagues to join me in a pledge that we will not let another anniversary come and go before we dedicate ourselves to replacing the Tax Code with a better system, and at the same time do everything we can to reduce the existing tax burden on the overtaxed American people.

Mr. President, I see my colleague from Arkansas is on the floor. I would like to yield to him, Senator HUTCHINSON.

The PRESIDING OFFICER. The Senator from Arkansas.

Mr. HUTCHINSON. Mr. President, I commend the Senator from Minnesota. I don't know of a Senator who has been more consistent, more persistent, more

determined, more resolute in trying to reduce the tax burden under which the American people labor, trying to simplify this very onerous Tax Code under which we operate, than Senator ROD GRAMS of Minnesota. I am glad to associate myself with his comments today.

I suppose it is inappropriate to say, "Happy anniversary," because the anniversary we remember today is not one that is a source of happiness. Mr. President, 86 years ago today—March 8, 86 years ago today—the Federal Government implemented the 16th amendment, ratified in 1913, and began at that point eating away at the income of the American worker.

Perhaps that date, March 8, is a day that ought to "live in infamy." But, then, maybe we should not be too hard on those who enacted the income tax amendment. I believe they could never have envisioned, they never could have imagined, what would have happened under the guise of the income tax. In fact, I understand there was actually a proposal during the time that was being debated in Congress to cap what the income tax could ever reach—a ceiling—and it was dismissed because it was concluded that Congress would never raise the income tax to such an exorbitant level.

During the 1930s, Federal income taxes never, never were more than 1.4 percent of the Gross National Product—1.4 percent. In the 1990s the income tax now represents, as a percentage of the GNP, about 9 percent. So it has just skyrocketed.

The amendment originally passed said this:

The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several states, and without regard to any census of enumeration.

That is the way it began—just a little sliver, just a small portion from Americans' wallets, at the turn of the century. That has turned into an enormous chunk of the pie, of the American family's reward for a hard day's work.

According to the Office of Management and Budget, individual income taxes constituted only 14.6 percent of the total revenue of the Federal Government in 1935. Less than 15 percent of all revenues generated for the Federal Government came from the Federal income tax in 1935. Today, individual income taxes constitute a whopping, staggering 45 percent of the total Federal revenue, better than three times what it was in the 1930s.

The rate has grown so rapidly, the Tax Code has become so onerous, that Senator GRAMS and I are black-marking this day in American tax history. It is only a prelude to the dreaded date, April 15. It is only in May, on or about May 7, that hard-working Americans can breathe a sigh of relief, on what is called Tax Freedom Day. Only on that day, May 7, can Americans begin to keep their hard-earned money, after having spent 4 months working to pay Uncle Sam's tax bill. It is for no small

reason that Alexander Hamilton, in Federalist Paper No. 36, stated:

Many spectres have been raised out of this power of internal taxation, to excite the apprehensions of the people.

That was written 210 years ago. Today, we know exactly what Alexander Hamilton meant. The Federal Government has used the power of internal taxation to create broad distrust in the American people and create a Tax Code 7,500 pages in length containing over 800,000 words. We in the Senate have an opportunity to replace these dreadful anniversaries with a new one—the elimination of the present Tax Code on December 31, 2003. The Tax Code Termination Act, which I will, as Senator GRAMS alluded, introduce in the near future, would eliminate, terminate, sunset the existing Tax Code by December 31, 2003.

Congress, the President, and the American people would then replace the current Tax Code with a leaner, simpler, fairer, and more honest tax system by no later than Independence Day, July 4, 2003, the beginning of a new era of freedom in this country. Senator GRAMS will be introducing a simpler, fairer tax system; others have proposed other alternatives. I will make my decision. I say this: The Tax Code Termination Act, the sunset of the Tax Code, is not relying upon which kind of solution, it does not determine which direction we should go, but, I assert, we cannot do worse than the current inexplicable, incomprehensible Tax Code by which we are governed.

I applaud and commend Senator GRAMS for being bold enough, creative enough and, I might add, courageous enough to introduce a very broad, comprehensive proposal to replace the current, clearly inequitable tax system. For too long the American people have suffered under the heavy chains of the oppressive regime we call our Tax Code. Each year, Americans spend over 5.4 billion hours slaving away to comply with tax provisions. That 5.4 billion hours is the equivalent amount of time it takes to produce all the cars, all the trucks, and all the airplanes in this country in 1 year. All of that energy, all of that productivity going to comply with the Tax Code.

A humble family of four will spend the equivalent of 2 weeks for Tax Code compliance. Ironically, every year \$13.7 billion of the money that taxpayers struggle to pay the Federal Government is expended in enforcing the code. They pay their taxes. They pay their tax bill, \$13.7 billion of which goes to enforce that code. Yet the IRS, a bureaucracy of 110,000 people in over 650 offices around the country, provides misinformation one out of every four times a taxpayer calls to seek assistance.

It is time that we act. We have made the Tax Code ever more complex. In 1997, Senator GRAMS was very much involved in this. I am sure if Senator SESSIONS had been in the U.S. Senate

at the time, he would have been involved in it. We made a serious attempt to ease the tax burden on the American people. Senator GRAMS and I, on the House side, introduced the \$500-per-child tax credit. We said working families deserved to have that; that the cost of rearing a child has increased and was never indexed for inflation. The per-child tax deduction nowhere near compensated for what it cost. We, in effect, said public policy did not really value families, and we didn't really value children. We pushed for that, not only the \$500-per child tax credit, but this Senate and this Congress, for the first time in 16 years, reduced the tax burden on working Americans.

Even after that successful effort, the tax burden remains so high that the average American family will spend more on taxes at the Federal, State, and local level than they will spend for food, for clothing, for housing, education and recreation all combined. That is how much we are taking.

Even in 1997, when we sought to reduce the tax burden on the American people, we had an undesired consequence. We were unwitting contributors to the complexity of the Tax Code, and we created even new complications, new deductions, new credits at that time when we were trying to reduce taxes.

Mr. President, in the Senate we have a number of options before us in 1999. We can ignore the plight of the American taxpayer, continue to celebrate, so-called, these tax anniversaries. That is one option that we have. No one has suggested we should not meet a full commitment to Social Security. Sixty-two percent of the projected revenue surplus should be set aside for Social Security. There is no debate about that. Both parties agree about that.

We need to do much more. We need to take the opportunity with the remainder not to create new spending programs, but to lessen the burden upon the American people. We cannot ignore the plight of the American taxpayer. We can continue with the status quo, or we can implement incremental reforms and try our best to make repairs to a house built on shifting sand, as we have almost every year for the last 12 years.

Finally, we can lay a solid foundation for a new house by voting for real reform. We can sunset the existing Tax Code, and we can pass a fairer and simpler and more understandable tax system, one that the American people deserve.

I thank my colleague for his leadership. I yield the floor.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. GRAMS. Mr. President, I thank my colleague from Arkansas for joining me this morning in talking about anniversary, as he mentioned, as not really a time to celebrate but to remember. As Senator HUTCHINSON noted, it was he and I who, back in 1993 when

we were both in the House, worked to enact the \$500-per-child tax credit. We first introduced it in 1993, and finally got it signed into law in 1997. Today it makes up about 75 or 80 percent of all tax relief this Congress has enacted in 4 years. It is just a small start, I think, of what we really need to do as far as reform and additional tax relief. I thank him for his help and all his support in getting it passed.

Again, I will just remind people why we are here talking about this. It was in 1913, 86 years ago today, that the first income tax was levied in this country, despite provisions laid out in the Constitution against that. It was passed in 1913. At that time it was only, as Senator HUTCHINSON said, a minor tax. Only about 1 percent of the people in this country came under this income tax provision.

The first Tax Code was only 14 pages long. Today, as we know, it is well over 10,000 pages, so complicated that even the most sophisticated tax lawyers cannot figure it out. As the Senator from Arkansas mentioned, if one calls the IRS for information or a question, they have about a 50/50 chance of getting a correct answer. What we have is a Tax Code, a tax system that is so complex, so abusive that it is no longer efficient. To try and make even some minor reforms or adjustments to it, I always say, is like trying to put lipstick on a pig. We cannot make it pretty. The thing we need to do is change it completely. We have talked about pulling it out by the roots and replacing it. The Senator from Arkansas will be introducing the Tax Code Elimination Act which would sunset the current Tax Code as we know it and the IRS by January 1 of the year 2003. Some people may say that is a little irresponsible because we don't have a Tax Code system with which to replace it.

We have many ideas. I will be introducing a fair tax plan that would be basically a national sales tax plan. It would eliminate all the payroll, the income tax, the estate tax, the corporate taxes, capital gains tax. It would basically eliminate all of those and replace them with one simple tax at the point of sale, a consumption tax. One would never have to file a tax return again. We wouldn't consume those billions of dollars worth of hours it takes just to comply with the IRS regulations.

When people say we are irresponsible because we should have a Tax Code in place before we repeal the code, I always say that Congress loves to spend so much that it would not go 1 day without the ability to tax. If we can eliminate the Tax Code, Congress will work overtime to get a new Tax Code in place. I think it is something we need to start doing and working on today.

Our income tax now has generated not the 1 percent of taxpayers, but over 21 percent of this Nation's income now goes to taxes. As I referred to earlier, the Boston Tea Party was over one-half

of 1 percent. Taxation without representation led to the tax revolt which built this country. Yet today, we are taxed at these high rates.

I see my colleague from New Hampshire is here. I would like to recognize him for any time remaining.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. SMITH of New Hampshire. How much time is remaining in morning business, Mr. President?

The PRESIDING OFFICER. Under a previous order, the Senator from Minnesota has 1 minute remaining, after which the Senator from Ohio will have 30 minutes.

Mr. SMITH of New Hampshire. Mr. President, I ask unanimous consent to have 5 minutes extending beyond the morning business time, no more than 5 minutes.

The PRESIDING OFFICER. Is there objection? Without objection, the Senator is recognized for 5 minutes.

Mr. SMITH of New Hampshire. Thank you very much, Mr. President. I thank my colleague, Mr. VOINOVICH, for not objecting.

I would like to compliment my colleague, the Senator from Minnesota, for his support on this issue. Mr. President, 1999 is the eighty-sixth anniversary of the Sixteenth Amendment and the collection of income taxes by the Federal government. It is not an anniversary that we really, in my view, ought to celebrate. As a matter of fact, I propose that we mark the occasion by throwing out our existing tax code and starting over from scratch.

The Tax Code Termination Act, which I am pleased to join with my colleague, Senator TIM HUTCHINSON, and others to soon introduce, would accomplish just that goal. Our bill would sunset the Internal Revenue Code by December 31, 2003.

This year provides a good opportunity for the Senate to reexamine the income tax and consider how the tax code has changed. As stated in the Salt Lake Tribune of Wednesday, January 27, 1999, the income tax is a relatively new development:

France had an income tax in 1793 and Britain in 1799. With a couple of short-lived exceptions, the United States generally managed to get by without one until 1913. An income tax was levied during the Civil War, but it was dropped after a few years. Congress passed a 2 percent income tax on individuals and business in 1894, but it was ruled unconstitutional. The Constitution barred the federal government from levying direct taxes except in proportion to population. In 1913, the 16th Amendment to the Constitution changed the rules, and an income tax was instituted.

Shortly after the Sixteenth Amendment was ratified in 1913, Congress passed the first income tax law. The Internal Revenue Service, then an obscure government agency, enforced the new law and collected the income taxes.

Back then, the taxpayers got to keep most of their earnings. In 1913, the income tax rate of 1 percent applied only

to those making over \$3,000 per year. Those making more than \$20,000 paid a slightly higher surtax. The highest rate of seven percent was imposed on all income above \$500,000. According to Peter Cleary of Americans for Tax Reform, in 1994 dollars, the one-percent income tax would apply on all income up to \$250,000, while the seven percent rate would apply only to income above \$6 million.

Few people had to file returns in 1913. Only about 1 in 250 Americans did.

Moreover, the original Form 1040 was brief and simple. As noted in yesterday's Washington Post Magazine, it consisted of just four pages, including one of instructions, and you would have finished calculating your income by Line 7.

Since 1913, things have gotten more than a little out of hand. Consider these statistics:

Close to half of all Americans file a tax return today. Instead of one form, there are many.

According to economist J.T. Young, the average family pays about 25% of its income in Federal, state and local taxes, and "30 percent of every additional dollar earned by a four-person median income household of \$55,000 will go to pay taxes. Individuals and families earning \$50,000 and above already pay 82 percent of total taxes and 91 percent of income taxes."

The average middle-income taxpayer now has to work until at least May of each year just to meet all the federal, state and local taxes due.

The Tax Foundation has estimated that collectively, individuals devote close to 2 billion hours to preparing tax returns each year.

It's no wonder that Americans dislike the current tax code. It is unnecessarily complex and overly burdensome.

Some of my constituents are especially upset about the fact that tax revenues last year grew 9 percent, or twice as fast as the economy. Consider these comments from a man in Exeter, New Hampshire:

I have been reading and hearing about the tremendous budget surpluses we can expect over the next ten years. . . . Where is this money coming from and who authorized collecting it? It seems to me that if the government has a surplus it's because they're collecting more than they're spending. If that's the case, why are they collecting more than they're spending? I hope you realize that things like this are what disenfranchise American citizens from their government.

How did we get to this point? Much of the blame lies with Congress. We have changed the Federal tax code many times since 1913, turning it into a tangled cobweb that few can understand. The changes have become more complex and the tax rates have increased over the years.

What can we do about it? We can abolish the existing tax code and promptly adopt a new one that adheres to some basic rules:

First, we should have a tax code that is simple and fair.

Second, our tax code should encourage savings and investment. The current code distorts investment by creating incentives for Americans to use tax loopholes, rather than invest their money in more profitable ways.

We should provide greater tax relief to the overburdened American taxpayers. Tax cuts would provide American workers with more incentives to produce, because workers would be able to keep more of their earnings.

In closing, Mr. President, I want to urge my colleagues to support the Tax Code Termination Act.

Mr. President, I yield the floor.

Mr. GRAMS. I thank my colleague from New Hampshire for talking about the creative ways of taxing. This Congress has been so creative in figuring out new ways to tax; I hope we can be creative in figuring out ways to get rid of the tax.

Mr. President, I know we are out of time. I thank you very much. I yield back the remainder of our time.

The PRESIDING OFFICER. The Senator from Ohio.

WE OWE IT TO OUR CHILDREN

Mr. VOINOVICH. Mr. President, I have devoted more than 30 years of my life to public service. I have held elected office as mayor of the city of Cleveland, and I served as Governor of the State of Ohio. Now I am privileged to serve the citizens of Ohio as one of their U.S. Senators. I am deeply honored by the confidence they have bestowed upon me.

They have placed their faith in my ability and my judgment to consider and vote upon and bring to the forefront issues of national significance. It is for this reason that I have come to the Senate floor to discuss what I consider to be the most serious financial and economic threat facing our Nation today.

Through the tough choices made by Congress in passing the 1997 Balanced Budget Act, and through our continued strong economy, the days of escalating, crushing budget deficits appear to be coming to an end. In Washington, politicians are saying we have turned the corner, and for the first time in 30 years, we have a budget that shows a surplus.

If it is true, it would be brand new territory for many Americans. Tens of millions were not even born yet when we had our last surplus. However, it is my contention that we do not yet have honest budget surpluses, and unless we take bold steps, our actions will continue to leave our younger citizens and future generations liable for three decades of massive deficits and a national debt that has made us the greatest debtor nation in the world.

Prior to 1968, surpluses were not uncommon. But through President Lyndon Johnson's expansion of the Vietnam war and the implementation of the Great Society, we started to lose fiscal restraint.

A budget trick was implemented by the Johnson administration. It took the off-budget Social Security trust funds, which were in true surplus, and commingled them with the regular budget which at that time was showing a deficit. In this manner, Congress and subsequent Presidents were able to mask annual budget deficits that contributed to a rising national debt.

I would just like to point out, however, the years Social Security has masked the true budget deficit that we have had and how it has improved our budget situation.

If you go back to 1995, we reported that we had a budget deficit of \$164 billion. The fact of the matter is we had a budget deficit of \$226 billion. And what we did was we reduced it by using the Social Security surplus of \$62 billion.

In 1996, we reported that we had a deficit of \$107 billion. The fact is our budget deficit was \$174 billion, and again we used Social Security to reduce that deficit.

Then, in 1997, we reported, oh, it is wonderful news, we had just a minus \$22 billion deficit. The fact of the matter is we had a \$103 billion deficit, and we plastered it over with \$81 billion of Social Security money.

Then, in 1998, we had the great celebration, the great surplus that we talked about. The fact of the matter is that even in 1998, when we reported the first unified budget surplus, we still had a real deficit of \$30 billion. Again, we used the \$99 billion Social Security budget surplus to hide the fact that we had a \$30 billion deficit.

Again, this year, we are reporting we will have a \$111 billion surplus. The fact of the matter is, even this year, we will have a \$16 billion deficit; and again that has been covered over by the using of Social Security.

And for the year 2000—the budget we are working on right now—we are reporting we will have a \$133 billion surplus. The fact of the matter is, even this year, we are going to have a \$5 billion deficit on budget. We have covered that \$5 billion up with \$138 billion of surplus in the Social Security trust fund.

And next year we are celebrating the idea that maybe we are going to have our first real honest to goodness on-budget surplus of \$11 billion. The fact of the matter is—and we will report a unified budget surplus of \$156 billion—but the truth is that we only have a real—real—surplus of \$11 billion.

Rather than attempting to enact policies that would bring us back to surpluses, 30 years of financial gimmicks have ensued, so much that we ran up a debt of \$5.6 trillion in those intervening years from the time of Lyndon Johnson. Since the time my wife and I got married in 1962, interest payments on the debt have gone from 6 cents on the dollar to 14 cents on the dollar this past year. If we had had the same 6-percent interest payment when we got married in 1962, Americans would have saved \$140 billion this year.

As the debt grew during the 1970s and 1980s, attempts were made to bring it under control. In 1985, Congress passed the Gramm-Rudman-Hollings Act which required the unified budget to be split and the Social Security trust funds kept separate. When Gramm-Rudman passed, I was encouraged that finally we were going to get some truth in budgeting.

At that time, I was mayor of Cleveland and I was serving as president of the National League of Cities. In 1985, the debt was \$1.8 trillion. We mayors felt the need to do our part to help reduce the debt. We did our share when we lost the CETA program, revenue sharing, one half of our community development block grant, and a complete loss of the Urban Development Action Grant Program. When I left office after 10 years as mayor of the City of Cleveland, we had \$79 million less a year from the Federal Government than we had when I came into office in 1979.

In order to make up that difference, first of all we did everything we could to reduce costs. In many instances, cities across this country had to increase their local income taxes or local taxes by over 50 percent to compensate for the loss of these Federal dollars. Much to our chagrin, our sacrifice did little to help reduce our annual deficits or shrink our national debt. Indeed, the debt was \$1.8 trillion in 1985; today it is \$5.6 trillion. If you go back to when I became mayor in 1979, the national debt was \$780 billion; today, 20 years later, it is \$5.6 trillion. Listen to this: A 700-percent increase in the country's national debt in a 20-year period.

We have a law that says Social Security trust funds are supposed to be off budget, and we have the Budget Enforcement Act of 1990 that removes Social Security from deficit targets and other enforcement calculations. But it was another law, the Balanced Budget Act of 1997, that forced tough spending choices on Congress and on the administration, making them live within their means for the first time in decades.

I congratulate the Members of Congress, those who supported the balanced budget agreement of 1997. It is this law more than any other that has given us the tools to help us now put our financial house in order. As a result, we are seeing a decrease in the on-budget deficit, we are cutting down on spending, people are projecting surpluses, and the Social Security trust funds are growing. There is a light at the end of the tunnel. But to get there, we must maintain our discipline and continue doing those things that will bring down our debt and honor our commitments to our citizens.

As this chart shows, if we stick to our guns, if we honor the caps in the 1997 budget agreement, we might have an on-budget surplus starting in the year 2001 and a growing surplus thereafter. Here is what it looks like: In 1999, if we stick to the balanced budget agreement, if we don't invade the budget caps we have for the first time in 30