

serving chairman in the history of the SEC. Mr. Levitt will be departing the Commission soon with a proud legacy of accomplishment—a legacy that has made his tenure as Chairman one of extraordinary distinction as well as one of unusual duration.

Correctly seeing his position as a stewardship for the public good, Chairman Levitt has consistently set aside partisan concerns to advocate tirelessly on behalf of the individual investor. He has also implemented changes that have strengthened the public's trust in U.S. securities markets.

Chairman Levitt was first appointed to a five-year term in 1993, and was re-appointed in 1998. No stranger to economic issues and the American securities market, he previously had served as Chairman of the New York City Economic Development Corporation, as well as Chairman of the American Stock Exchange. In addition, Mr. Levitt owned a newspaper that is very familiar to those of us who work on Capitol Hill: Roll Call.

During his eight-year tenure, Chairman Levitt has consistently worked to deliver the important message that investors must use the increasing amounts of information available to them to do more research before investing. He traveled extensively across the country to spread this message, holding 43 Investors' Town Meetings. At these events, Chairman Levitt took pains personally to educate investors about their rights and their obligations, while giving them the tools they need to invest wisely and to protect themselves from securities scams.

On one particularly memorable occasion in 1998, Chairman Levitt was scheduled to speak at an Investor's Town Meeting in Bangor, Maine. When bad weather thwarted his efforts to reach Bangor and the nearly 600 Maine citizens awaiting him, Chairman Levitt improvised, answering all of the questions from the audience by phone in what may have been the biggest conference call in the history of the State. In Maine, we truly appreciate a person's ability to overcome the elements.

Chairman Levitt also brought his expertise to Capitol Hill, testifying in 1997 before the Permanent Subcommittee on Investigations, which I chair, about problems in the micro-cap markets—including penny stock fraud—and providing investors valuable insights on how to avoid falling victims to the predators who lie in wait for the unwary. Chairman Levitt testified before my Subcommittee again in 1999, this time on the risks associated with day trading. Investor alertness and diligence have been his watchwords, and his advice in this regard has been consistently sound.

A strong proponent of technological advances, Chairman Levitt worked to promote the use of technology not only in securities transactions, but also in helping inform and educate investors through the Internet. Under his guidance, the SEC's first Web site went on-

line in 1995. Today, it provides valuable information and services—including access to the Electronic Data Gathering Analysis and Retrieval database (also known as "EDGAR"), which contains a large volume of information about public companies, including corporate annual reports filed with the SEC and disclosures of purchases and sales by corporate insiders. The SEC's Web site also has an Investor Education and Assistance service, which advises investors on how to invest wisely and avoid fraud, answers the public's questions, and reviews investors' complaints.

Chairman Levitt has truly been a man for his time. With Americans flocking to take part in what has been the longest bull market in U.S. history, he championed the right of the small investor to a level playing field with the big institutions. Last year, for example, the SEC approved the adoption of a regulation on Fair Disclosure, which requires companies to disclose material, nonpublic information—such as earnings results and projections—simultaneously to Wall Street analysts and the public. This new regulation makes significant strides toward bringing individual investors into the information "loop" on a timely basis.

In addition, Chairman Levitt oversaw the SEC's adoption in 1998 of the Plain English Rule, which requires that public companies and mutual funds prepare the cover page, summary, and risk factor portions of their prospectuses in clear, concise, and understandable English. The Plain English Rule finally makes prospectuses accessible to those outside the small circle of securities lawyers and market professionals accustomed to reading them.

Chairman Levitt has worked to ensure that the small investor gets the best available price. In 1997, the SEC adopted its Order Handling Rule, which places individual investors' bids on an equal footing with those of professional traders on the NASDAQ. This Rule is designed to prevent collusion among dealers and to promote competition in the market. At the same time, Chairman Levitt has overseen the SEC's vigorous efforts to root out Internet securities fraud and bring the perpetrators to justice.

Protecting investors' rights and rooting out securities fraud have long been among my primary interests, and I have been both delighted and very fortunate to be able to work toward these ends with an SEC Chairman who shares a powerful commitment to these goals. Mr. President, while small investors are losing a true friend at the SEC, I am confident that the benefits he brought them will endure for many years to come.

Mr. President, I wish to thank Chairman Levitt for shepherding the securities market into the 21st Century, and ensuring that America's thriving markets are open to all investors, big and small, and are worthy of the public's confidence. I offer him my very best wishes for his future undertakings.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized.

TAX CUTS INCREASE REVENUE

MR. INHOFE. Mr. President, as a lot of people have been doing, I have been watching and listening with a great deal of interest to the debate and the brilliant things that have been said about the proposed tax cut.

I think there are three significant things that have not come across in this debate, and I think we need to talk about that and concentrate on it.

One is the myth that if we cut rates, somehow that is going to have the result of cutting revenues. I do not know what we have to do in history to show that is not correct.

The first time that the whole idea—some call it supply side—came out was way back, following the First World War. At that time, it was the Harding administration and the Coolidge administration. They raised money in order to fight the war. And, of course, that was successful. But after the war, they decided that with the war effort gone, they could reduce the taxes. They reduced the top rate from 73 percent to 25 percent. They thought that would have a dramatic reduction in the revenues that were produced around our country. But they were willing to do it. To their surprise—this is the first time they had learned this—the economy, as a result of that reduction from the top rate of 73 percent down to 25 percent, actually grew the economy 59 percent between 1921 and 1929. And the revenues during that time grew from \$719 million in 1921 to \$1.16 billion in 1928.

Then along came the Kennedy administration. This is the one where I don't understand how liberal Democrats can stand here and ignore the lesson that we learned during the Kennedy administration. Yes. Kennedy wanted more money spent on social programs. And he said on this floor that we needed more money to raise more revenues to pay for all the domestic programs we were getting into, and the best way to increase revenue was to reduce taxes. At that time, the top tax rate was 91 percent.

So he reduced the taxes with the help of Congress from 91 percent down to 70 percent, and exactly the same thing with exactly the same percentages that took place after World War I took place. Tax revenues grew during that period of time, 1961 through 1968, by 62 percent.

I know there are a lot of people who don't want to believe this. I don't want to unfairly attribute a quote to Laura Tyson, but I remember in 1993 she made a statement I interpreted to be: There is no relationship between the taxes that a country pays and its economic performance. Theoretically, if that is true, you could tax Americans 100 percent and they would have the same motivation to stimulate the economy as if they were taxed 50 percent. We knew that is not right.

We had gone through that during the 1960s. For some reason, Democrats today will not acknowledge that. This is a lesson we learned from Democrats. Of course, the 1980s came. In 1980, the total amount of revenue raised to run the United States of America was \$517 billion. In 1990, that was \$1 trillion. It almost doubled in that 10-year-period. Those are the 10 years we had the most dramatic marginal rate reductions in the history of America. If you take just the marginal rates, it was \$244 billion raised in 1980 and \$446 billion raised in 1990. In that 10-year period it almost doubled, and that was dropping the rate from the 70-percent top bracket we inherited from President Kennedy when he brought it from 91 percent to 28 percent.

History has shown it will happen. Never once in the debate do we talk at all about the fact that it will not reduce revenues; it will increase revenues. I have watched this happen over my short lifespan in politics and have been surprised to find this is true. If the money is there, the politicians will spend it.

One of the best political speeches I heard in my life was the first one that Ronald Reagan made, "A Rendezvous With Destiny." I bet some don't remember it at all. In the speech he said, the closest thing to immortality on the face of this Earth is a government program once started. That means if there is a problem, form a government program to take care of it; the problem goes away but the program remains there. This is a fact of life. It has repeated itself over and over again.

The second item—a lot of the liberals say this because it sounds good to conservatives—let's go ahead and not have tax cuts until we pay down the debt.

The Wall Street Journal had an article entitled, "Where Do We Put the Surplus?" A couple of professors say we have a serious problem because if we wanted to take the surpluses projected, which is \$5.5 trillion in the next 10 years—upgraded by OMB to \$6 trillion in that same timeframe we would have to find someplace to put the money. If you don't return it to the taxpayers, it will get spent. There aren't enough places you can put money like that because you can't pay down the debt immediately. Some things have not matured. You can't force a debt repayment in the publicly held portion, and the debt is \$3 trillion. You have to find a place to put it.

You can go into the equity market. If you go into the equity market, that will create a problem. According to Greenspan, by the year 2020, if we take this course, the Government will own one-fifth of all domestic equities. If there is anything we don't want to happen, it is to have Government owning 50 percent of the private equities in this country.

The last point is how modest this cut is. I would like to have it much greater than \$1.6 trillion because I believe we can afford to do that. During the

Reagan administration, it was \$1.6 trillion, but in today's dollars that would equal \$6 trillion that we would actually have as tax cuts. If you look at it another way, taking it as a percentage of the gross domestic product, what we are suggesting is somewhere between a 0.9 and 1.2 percent cut in the gross domestic product. In the Kennedy years, it was 2.2 percent; during Reagan it was 3.3 percent. This is far less than those tax cuts would have been.

I conclude by saying we have a decision to make—and it is a very difficult decision—as to what to do with that amount of surplus.

I ask unanimous consent the Wall Street Journal article I referred to be printed in the RECORD at the conclusion of my remarks.

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

(See Exhibit 1)

Mr. INHOFE. I don't think there is any question, if we are honest, we would deny that if we leave this money, it will be spent. Parkinson's law is: Government expands to consume the resources allocated to it, plus 10 percent. This has proven to be true over and over again.

I can argue as to the fairness of where this cut takes place. I could talk about the fact that the top 5 percent of the income makers in this country actually pay 54 percent of the taxes; the bottom 50 percent only pay 4.2 percent of the taxes. That begs the question. There is no reason to talk about the fairness of this because it is too logical. Obviously, what we are going through now is an overpayment. We have taxed the American people, and anyone out there right now—and there are millions of people who have paid any type of taxes—is entitled to a refund. To redistribute that wealth would be as unfair as it would be if you went down to an auto dealership, bought a new car, paid the sticker price, got home and said: Wait, I paid \$2,000 too much. And you get in the car and drive to the auto dealer and say: You overcharged me \$2,000, and he says: I just gave it to my mother-in-law.

This is an overpayment of taxes we have made and I think people are entitled to have the overpayment back. If you do that, it will have the effect of increasing revenue, and stimulating the economy, which we desperately need. We are on the brink right now of a recession.

I yield the floor.

EXHIBIT 1

[From the Wall Street Journal, Jan. 29, 2001]

WHERE DO WE PUT THE SURPLUS?

(By Kevin A. Hassett and R. Glenn Hubbard)

When historians look back on Alan Greenspan's tenure as chairman of the Federal Reserve and attempt to identify the source of his enormous success, last Thursday's Congressional testimony—in which he advanced the course of tax reform—will likely provide one answer. Mr. Greenspan raised a pressing public-policy question that has been overlooked by most, a question that will likely

become the focal point of political and economic debate during President Bush's first four-year term.

If the U.S. government starts accumulating big surpluses, where should it put the money?

That might not seem so tricky. After all, the government already occasionally places deposits in private banks. But this time we aren't talking nickels and dimes. Current surplus estimates are so large that the government's passbook savings account, if nothing changes, will soon become the Mount Everest of cash hoards.

Let's look at the numbers. The latest Office of Management and Budget forecast is for the surplus to reach about \$5.5 trillion over the next 10 years. Rumor has it that the soon-to-be-released Congressional Budget Office forecast will peg it at \$6 trillion, with almost \$1 trillion arriving in 2011 alone. (Note: actual CBO numbers are \$5.61 trillion, of which \$3.12 trillion will be the non-Social Security surplus)

Why not just pay down the debt? Put simply, there's not that much debt to pay. According to the Treasury Department, total government debt held by the public is only about \$3 trillion. With no change in tax policy, projected surpluses would pay down the debt by around 2008. Government will subsequently have to decide in what it will invest the massive surpluses.

But that is far in the future. Many opponents of tax reduction have suggested that we wait until the uncertain surpluses arrive, and the \$3 trillion of existing government debt is retired, before considering tax cuts. Mr. Greenspan had an answer for that as well: "Private asset accumulation may be forced upon us well short of reaching zero debt."

Indeed, by some estimates, as much as half of existing government debt will be almost impossible to retire, since savings bonds and state and local government series bonds often aren't redeemed until maturity, and because many holders of long-term treasury bills will be unwilling to sell them back to the government. Factor in that surplus estimates keep getting revised upward, and government may well be forced to invest in private assets in just three or four years.

How big could the hoard get? Investing that much public money would likely mean the government purchase of stocks, because only equity markets are large enough to absorb such inflows and still remain liquid. Assuming the Treasury begins to invest surpluses in the stock market as soon as it has retired all the debt that it can, and that these investments earn a 10 percent annual return, our government will be sitting on a stock-market portfolio worth \$20 trillion by 2020. To put that in perspective, the current market value of all equities in the U.S. is about \$17 trillion, according to the Federal Reserve. Projecting forward, the U.S. government could own about one-fifth of all domestic equities by 2020.

Allowing the government to own that much of the private economy is an invitation to unbounded mischief. Firms will lobby to be put on the list of acceptable investments; those firms or assets left off will suffer hardship. Calls to sell firms that aren't "green" or that fail to pass litmus tests will become the latest in political lobbying. Which is why Mr. Greenspan stated flatly: "The federal government should eschew private asset accumulation because it would be exceptionally difficult to insulate the government's investment decisions from political pressures." The risks are just too great.

His argument on Thursday caught Democrats flat-footed. Sen. ERNEST HOLLINGS of South Carolina told Mr. Greenspan that "in all candor, you shock me with your statement." An apoplectic Sen. CHARLES SCHUMER

of New York dubbed Mr. Greenspan's analysis a mistake." Such venom is reserved for truly decisive arguments. Indeed, word is out that economists at President Clinton's Council of Economic Advisers prepared an analysis of this issue that wasn't allowed to see the light of day.

Perhaps the Democratic senators had not previously recognized that their opposition to tax cuts would require the government to buy a massive share of private America. Mr. HOLLINGS later warned Mr. Greenspan that he was "going to start a stampede." It is not a stampede we will observe, but a wholesale retreat by poll-conscious opponents of tax reform, who will have little stomach to defend such a massive government intrusion into private life. A large tax cut is virtually a sure thing.

Which doesn't mean we've seen the last of this important question. First, if supply-side arguments are correct, then the marginal-rate reductions proposed by Mr. Bush will eventually increase tax revenues and surpluses, presenting us once again with the quandary of what to buy. Second, Social Security continues to be on very weak footing in the long run, and something must be done to stave off fiscal disaster. This puts Democrats in a tough position. For if they reject the option of allowing the government to hoard private assets in anticipation of retiring baby boomers, there is—as Mr. Greenspan highlighted elsewhere in his remarks—one inevitable alternative: individual accounts.

In taking a stand on such important issues in such a public forum, Mr. Greenspan has fundamentally altered the debate on the surplus, taxes and government investment. From now on, opponents of privatization will have to reveal just where it is they intend to put our money, and convince us that those investments will be economically benign.

THE PRESIDING OFFICER. The Senator from Kansas.

MR. BROWNBACK. Mr. President, I rise to speak about the tax cuts proposed this week by President Bush and to join my colleagues in this discussion. As I listened to my colleague from Oklahoma, Senator INHOFE, a number of the points he was making are the ones that I think are most germane to this discussion. He spoke eloquently; I have some charts that support what he said.

He was talking about the one law that Government spending expands to reach the amount of Government resources we have available, plus 10 percent. I had not heard of that law, but it sounds as if it is fairly accurate.

I have a chart that shows that the surpluses lead to higher spending. We can see that is what has taken place as we have had surpluses coming on line in 1995 through the year 2002. We had an enormous growth in discretionary spending during the same period of time. This is a time period when we had a Democrat President and a Republican Congress. There were supposed to be some restraints in spending, but the ironclad rule of Government is if there is a dollar left on the table anywhere, it will be spent. We now see that is, indeed, what has taken place where the discretionary spending has increased. If you leave the money on the table, it will get spent.

I want to talk about another thing that my colleague addressed, as have

others, and that is tax freedom day, the day we finally start working for ourselves and stop working for the Government. This day, unfortunately, has continued to grow longer in the career. We have less freedom from taxation in this country right now than at any time since World War II.

I will first show the size of the overall tax cuts President Bush has put forward. They are pretty modest. My colleague from Oklahoma was discussing the relatively small size of the tax cuts in proportion to the economy. This is the percentage of Gross Domestic Product. The Bush tax cut is 1.2 percent of GDP which is quite small, in my estimation. We should be talking about a larger tax cut given the difficulty our economy is starting to show. We are seeing some slowness in the economy. We need to stimulate it both in fiscal and in monetary policy. The Fed is coming forward with monetary policy, and we need to come forward with fiscal policy.

You can see Ronald Reagan had a 3.3-percent cut in percentage of GDP, and President Kennedy had a 2-percent cut. I think we ought to be getting up to this 2-percent category and talking more along the lines of a \$2 trillion tax cut. This will stimulate the economy, keeping it from going into recession. That is the best thing to do to ensure that we maintain a surplus; with people doing well in this country, we can avoid an economic recession. That is what we are starting to face.

This is a modest tax cut, particularly given the times and situation. We need to do so to help stimulate the overall economy. I think a 2-percent cut overall, a \$2 trillion tax cut, would be more in keeping with traditional sizes of major tax cuts and would keep our economy from slipping into an actual recession.

You can see what has happened to tax freedom day. This is the day you stop working for the Government and start working for yourself. It extended until May 3 in the year 2000. People are working for government at all levels of the government until May 3.

I just bought a used car from an individual. He asked me what I did, and I told him I worked in the Senate. He said: If you guys can, do anything to cut taxes, I have a paycheck that comes in, and I never look at the gross number because it just depresses me. I just basically cut my gross wage in half, and that is how much I get to take home. Just cut it in half, was his statement.

We ask people why they are having difficulties with the situation at home, with their families. They don't have enough money to take care of their kids, buy braces, pay for education, and take care of the normal expenses. They need to have at least two jobs in this family, maybe more.

Why is that? We look at this chart and see one of the big cost drivers in that situation. It is the tax burden.

Look at what happened in the 1990s. In this time period, it has gone up pre-

cipitously. That shows how much people work for the Government rather than working for themselves. Is it any wonder people experience stress or have difficulty in their family situation, when they are working for somebody else, who gets close to half the year?

How does this break down? I want to break down this tax freedom day issue. These are the minutes in an 8-hour day that you are working for government, or other taxes that you are paying. Look at how many minutes of an 8-hour day you are working for Federal taxes: 112 minutes. It is getting close to 2 hours a day that you are working for the Federal Government. I appreciate you working for us that much. I am glad people are doing that.

My point in highlighting this is that it is too much. It is too long. You should not be working for the Government that amount of time.

Look at the Federal Government, but also look at State and local taxes. You add another 50 minutes to that. We are getting close to 3 hours of your workday to pay for Federal taxes and State and local taxes. That is before you ever pay for housing, health care, food, recreation, transportation, clothing, and put money away in savings. What happens to savings when you take this big of a bite out of it?

This chart puts a graphic on it, and it shows that if you start working at 9 a.m., you are basically working in the morning for the Government, and then the rest of the day you are working for other things. The morning is basically given to the Government.

It is nice that people are willing to do that, but my point is that it is too long, it is too much, it is taking too much from them, and it is hurting our families and individuals. This is just to point out how much it is, how it breaks down. This is from the Tax Foundation.

How much per dollar of a median family income goes to taxes, comparing 1955 to 1998? In 1955—Federal income tax was 9 cents. Federal payroll tax, other Federal tax, State and local taxes, were 3 cents. In 1955, we had a pretty good size Government. In 1998, after-tax income was 61 cents; we are nearly at 40 percent today.

Look at the size of this Federal payroll tax. When I go to high school senior classes, two-thirds of the groups with which I speak are paying taxes. The tax that they are paying is Federal payroll tax, which for most people in this country is larger than any other single tax they pay. This is one tax about which we are going to have a lot of discussion.

This chart shows other Federal taxes and State and local taxes, which have increased a great deal as well. This breaks it down on the dollar.

Finally, this is tax freedom day by type of tax. Many people don't realize all of the taxes that they pay. Basically, on anything you do, you are paying a tax. If you turn on a water faucet

in the morning, there is going to be a tax on the water that comes through. If you use the phone, there is a phone tax. If you die, there is going to be a death tax, and if you get married, there is a marriage penalty tax—both of which I think we need to address and eliminate.

We have a system where we have figured out how to tax virtually everything you do or that happens to you. It creates these type of burdens.

To pay individual income taxes, we are working 50 days a year. You can look at the others. Business taxes, corporate taxes, property taxes, estate and excise taxes, social insurance taxes are also on this chart. It is a big overall burden.

One person has suggested, instead of having payroll taxes, that we require a person to each month write a check out to the Government for their level of taxes rather than taking it out of the account. If we really wanted to cut taxes, we should do that so people could see that each month when they wrote that check out. It is a heavy burden.

I wanted to put that forward to put some context on this. When we talk about a \$1.6 trillion tax cut—which I think actually should be at the \$2 trillion category—we are overburdening people on taxes now. This is clear. We need help in stimulating the economy. This is clear. We should not be taxing things such as marriage when it is the foundational unit for the family. We need to get rid of the marriage penalty tax.

I want my colleagues, particularly from Texas and Georgia, who put this tax plan forward, to know I am going to be aggressively pushing to get rid of the full marriage penalty tax rather than a portion of it, which is in this current bill. I think we have to do much better towards our working families, particularly getting rid of the marriage penalty tax. I also hope that we can make these tax cuts retroactive to stimulate the economy.

I point out to my colleagues as well about the surplus—we have been paying down the debt, and we will continue to do so. We have paid down the debt by about \$360 billion over the last 3 years. We will continue to pay the debt down. However, those surpluses have led to increased government spending as well. So we need to get some of the tax dollars out of the system and back into people's individual pockets.

Finally, we have the wherewithal to do this and to protect Social Security. We can do a \$2 trillion tax cut and we can still pay the debt down at the current rate (if not more than what we are currently doing) and provide for substantial Federal Government needs that we have identified. That is all doable because the projection on our own receipts is substantial enough that we can get that accommodated—roughly in the \$5.6 trillion surplus over the next 10 years.

We need to do this. American working families need this to take place. It is the right thing to do. It is the right time to do it. I hope we do not waste much more time before we actually get these tax cuts in place.

Mr. President, I thank my colleague from Wyoming for hosting this dialog and I yield the floor.

THE PRESIDING OFFICER. The Senator from Wyoming.

Mr. THOMAS. Mr. President, this, obviously, is the week and the time to be talking about taxes, tax relief, and tax reductions.

It is an appropriate time to deal with all of the involved issues. Certainly, the President has talked a great deal about his tax plan not only in the campaign but certainly now as he is prepared to reveal and unveil this plan of relieving the tax burden on all taxpayers.

The plan, of course, is oriented toward stimulating economic growth, reducing family tax burdens, and saving family estates from the auction block, and hopefully making this Tax Code simpler and more fair. That is an important aspect of it. We talk all the time about the Tax Code being so detailed and complex, and yet we do not do much about it.

I hope we do not start seeking to have directed tax reductions here, there, and other places, aimed more at behavior than at tax reductions. This is designed to make it simpler, and that is important.

The case for the President's relief package is strong. First, there is a record surplus of taxes coming in. It is really a tax overpayment. That makes possible a policy of paying down the debt and reducing taxes on working families.

Second, the slowing down of the economy has many people concerned and properly so. Absent some kind of fiscal stimulus, our record economic expansion may turn downward and into a recession.

The third argument is the one my friends have talked about this morning, but I think it is really the issue for most of us, and that is the burgeoning tax burden on American families.

No matter how one looks at it as a proportion of national income, the burden persists as compared to other family expenses. Actual time spent working just to fund the Federal Government is taking more of a typical family's income than at any other time in history. Isn't that interesting? Almost any time in history.

Federal revenues for fiscal year 2000 pulled more than \$2 trillion out of the economy for the first time in American history. Along with that being the highest level ever, the Federal tax burden is also the highest rate of gross domestic product since World War II. In 1944, revenues reached 20.9 percent of GDP. Today, revenues have returned to that extraordinary level. They are at 20.6 percent, well above the historical norm.

Interestingly enough, since 1935, the average tax burden has been 17.2 percent. Never during the Korean war, the Vietnam war, or the cold war did it ever reach 20 percent. Yet the Federal tax burden continues to take more financial power out of the economy without a particular cause.

In the last few years, the American people have had to pay 20 percent of what they earned. The impact on the economy, on families, and the taxpayers has been extraordinary. We have an opportunity to do some things differently, and I hope we do that.

The current tax system, I believe, is a mess. Just think how difficult it is for all of us as we prepare our tax returns. We often say if anyone cannot make out their own return, it must be too complex. Seldom are people able to make out their own.

After 80 years of lawmakers, lobbyists, and special interests working on it—which will continue—it is unfair; it is complex; it is costly. Those are the kinds of things of which I hope, as we move forward, we can take advantage. Someone suggested taxpayers devote almost 5.5 billion hours a year to the preparation of tax returns. The other thing—and it depends, I suppose, on your point of view and philosophy with respect to Government; if one believes Government ought to be contained in its growth, that there are limits to in what the Government ought to be involved—the Federal Government in particular—why, this has something to do with that.

When there is a surplus, it is more difficult to maintain limits on the growth of Government than it is when there is not a surplus. Obviously, we want to fund the essentials such as health care, education, and Social Security. There also ought to be a limit on the growth of Government, the involvement of Government.

We are saying all the time that the Federal Government is involved in too many things; we ought to give more emphasis to State and local governments; we ought to evaluate what is the legitimate role of the Federal Government. I believe that is true, but that depends on your philosophy of government.

We are going to hear arguments during the course of this discussion that there needs to be more Government, more Government spending. If one believes that is the direction we ought to go, there is no end to the programs. It is very difficult, once a Federal Government program is in place and builds a constituency around it, to change it, to eliminate it, to reduce it.

It comes down to a philosophy of government. When you have, as in this case, a surplus of dollars, what do you do with it? You can spend it and increase the size of Government. That is a philosophy we hear quite often in this Chamber. Another is we ought to limit the role of the Federal Government; we ought to use our best judgment to determine which of those

things are most important, which of those things are essential, which of those things can only be done by the Federal Government as opposed to local and State governments, which of those things should be done in the private sector as opposed to the Federal Government. All those things have a play in what you do in the future.

I happen to believe we ought to be paying down the debt. It is unfair for us to have gone into debt over the last number of years to finance programs young people will have to pay for. We can do that.

I am persuaded that under the President's program we can pay down the debt over this period of time. I am persuaded that we will have adequate money to spend on essential programs.

At the same time, we can substantially reduce the tax burden on American families, and that is very much what we want to do.

I do believe one of the elements of taxes ought to be fairness. One of the issues we have talked about for some time and passed last year, only to be vetoed by the President, was the marriage tax penalty. It really does not make sense from a fairness standpoint that a single man and woman earning this amount of money pays x amount of dollars; if they are married, making the same amount of money, they pay more. That is a fairness issue and one that needs to be decided.

Of course, the estate tax also is one that many argue is a fairness issue. People, particularly on farms, ranches, and in small businesses, work their whole lives to create some capital and assets, and if they own property, as many ranchers and farmers do, they have to pay this 55-percent estate tax. They have to dispose of the property to do that and that seems unfair. There are some legislative ideas, and I do not know which one will prevail. There can be expansion of exemptions, and there can be elimination, which I favor. There can also be some efforts made to pass these on without taxes and allow then for a tax to be placed on their growth.

There are many things we can do. The President has put forth a package that is very useful, one that deals with the issues as we see them, one which will bring fairness, one which will bring a reduction in costs, one which will pay down the debt, one which will allow us to go ahead and fund those programs that we deem to be essential and of a high priority.

We have an opportunity to do that now. I am hopeful we will move forward and do it quickly, to the benefit of this country, its economy, its taxpayers, and all of its families.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Texas.

Mrs. HUTCHISON. Mr. President, I am very pleased to be working with my colleague, Senator THOMAS, today, and all of this week, to talk about the tax cuts we have tried to provide for hard-working American families.

We have been trying to give tax relief to working Americans for the last 3 years, but we had a President who did not agree with us. Every time we sent him a tax relief bill, it got vetoed.

But today we have a President who agrees with us that hard-working Americans deserve to keep more of the money they earn. Because we believe it is their money, not ours, we want them to have the choices.

So we do have a proposal that Congress and the President are going to work together, hopefully, on a very bipartisan basis, to produce for the American people something they can realize, not something that is so complicated and minuscule and fractionated that nobody is ever going to know they got a tax cut. What we want is real tax relief for hard-working Americans.

It is pretty simple. The basic part of this tax relief plan would replace the current five-rate tax structure—which is 15 percent, 28 percent, 31 percent, 36 percent, and 39.6 percent—with four lower tax brackets: 10 percent, not 15 percent, would be the lower bracket; then 15 percent; then 25 percent; and then 33 percent.

That is the bulk of the tax relief plan that we will send to President Bush if we can get the support of our colleagues on the other side of the aisle.

For a couple with two children, making \$35,000 they will have their taxes eliminated. For a couple with two children, making \$50,000, their taxes will be cut by 50 percent. For a couple with two children, making \$75,000 their taxes will be cut by 25 percent.

This is tax relief that people will be able to experience. We also hope that people will feel so good that they will buy the car they have been waiting to buy or that they will know then that they will be able to make the downpayment on the house they have been saving for—something that will spur the economy because there is no question our economy is not growing right now. It is stagnant.

But we think it can be revived if there is consumer confidence. Consumer confidence would come if people feel good about their jobs and their prospects and if they have more money in their pockets. So this is a very important staple of the tax cut plan.

The part that I have been working on personally for so many years is the marriage penalty tax cut. Why, in America, would we have to ask people to choose between love and money? The fact is, most couples in America, indeed, have to pay an average of \$1,400 more in taxes just because they got married.

Who does this hit the hardest? It hits the policeman and the schoolteacher who get married and all of a sudden find they have \$1,000 more that they owe to Uncle Sam—\$1,000 they could certainly use. So we want to help married couples not have to pay any penalty whatsoever.

Why should you pay a penalty just because you got married? It does not

make sense. So we want to eliminate the marriage tax penalty. In fact, I am going to be working with others to make the marriage penalty tax cut part of our tax plan significant. We believe we should double the standard deduction, that you should not have to pay more in a standard deduction because you are married than you would if you had two single income-earning people. So we are going to try to change that.

We are going to encourage charitable contributions by allowing people who have saved and put money in their IRAs through the years—if they find out they do not need that money because they are doing OK, and their kids are doing OK—to give some of that money to charity if they want. But there is a big bar to doing that today, and that is the tax consequence. You cannot just take the money out and give it to the charity; You have to pay the taxes.

So we want to eliminate that tax, if it is going to go straight to charity. This will encourage people to do things that will enhance our communities, and that is to give to the charity of their choice.

We want to try to help parents by doubling the child tax credit. President Bush has made this a priority. He wants to make sure that we have a \$1,000 per child tax credit rather than the \$500 per child tax credit that we are working toward today because we know it costs a lot of money to raise a family. Children grow. They grow out of their clothes; they eat a lot; they need to be healthy; and they need to be well fed and well dressed.

The occupant of the Chair is smiling because he has nine children. He knows. He has been there. He has fed and clothed them. He knows this is something that parents need the help to do.

Mr. President, I am very pleased to be here and be a part of the group that is talking about the Bush tax cuts. We are talking about the Bush tax cuts for hard-working American families. We are talking about Congress working with the President on a bipartisan basis for a lot of reasons to let people keep more of the money they earn. That is the bottom line.

We want people to be able to keep the money they earn because we believe it belongs to them, not to us. We believe families, especially, should get the break they so badly need.

We are being taxed at a higher rate today than ever in peacetime. I am very pleased that we have this tax relief plan. We know it is going to pass. That is what pleases me. Before, when we had been working on tax cuts, we had a President who would threaten to veto them every time we sent them to him. Today, we have a tax cut plan with a President who says he is going to sign it.

So we feel very good about that. We are going to be talking about it and hope the people of this country realize

we are going to do something significant for every taxpaying American. Those in the lowest brackets will get the most relief; those in the upper brackets will get the least relief, but they will get some relief. We think it is fair to target it to middle-income and low-income people. We want them to get the most benefit. They are the ones who pay the most per capita, per income dollar. We want to relieve that, but we want every working American who pays taxes to get relief.

Mr. President, I am very proud to be here with my colleague, Senator PETE DOMENICI. Senator DOMENICI is, of course, the person who heads our Budget Committee. He knows, in the final analysis, it is his committee that is going to give us a budget that is balanced, that pays down the debt, that takes care of the increases in spending that we know we are going to need in places such as education, national defense, Medicare reform, prescription drug benefits and options, and give back to hard-working Americans some of their tax money.

I cannot think of anyone that I would trust to be able to do that than my colleague from New Mexico. I will now turn the floor over to him.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. I thank my good friend from Texas.

Mr. President, I know that by some strange coincidence the occupant of the Chair seems to occupy the Chair quite frequently when the Senator from New Mexico speaks. I do not know what that bodes for the distinguished Senator, but I will try to make it interesting today, again, perhaps.

First, I am here because I want to share with the American people, and my constituents in New Mexico, the fact that this fiscal situation of our Nation is about as good as any generation could expect. This is a good situation. I have been here during times when we were going into debt almost as fast as we were gaining surpluses each year.

We had accumulated enormous annual debts that we called the "deficit," and the first good news is that by the time this year ends, we will have reduced the debt of our Nation by \$600 billion. That is for real. That is not a graph. That is not a projection. We have already paid it down substantially. Unless something very dramatic happens in the next few months, that total number will be \$600 billion in reduction.

Interestingly enough, a few weeks ago, probably the most distinguished American on matters economic, and probably the most distinguished American in terms of impact for the positive on the American economy, Dr. Alan Greenspan, appeared before the Budget Committee of the Senate. For some people, it was a bombshell when he said in the course of his discussion, just as deficits can get too big and hurt the economy, so can surpluses get too big

and, if not handled right, can hurt the economy. He came to that conclusion on the basis of his own assessment of where we are going. And without saying it, he certainly lent great credence to a big fact: surpluses are generating on the inside of the American budget at rates and levels never expected or understood in America.

He at least implicitly acknowledged that the Congressional Budget Office was on the right track in estimating that the surpluses were growing and growing, and we were told a few days later by the Congressional Budget Office—and when we say that, we mean the whole paraphernalia that goes with estimating the American economy groups of economists, economists within the Congressional Budget Office, comparing their results with all kinds of outside estimators whose job it is, because of the businesses they work for or the funds they control, to be as right as they can—that the Congressional Budget Office which Dr. Greenspan was looking at was giving us their best estimate.

There are some who say it is only an estimate. They could give us an estimate that is not their best estimate that would say the surplus is going to be \$9 trillion. They could give us another estimate which would not be their best estimate that the surplus in the next decade is going to be \$1 trillion. But when they were asked, which one should we build our policy on, the answer was, the modest growth path, the modest path in terms of increases in productivity, nonetheless sustained productivity increases and sustained and very large over the next decade. Use the one we gave you, they said.

There are some people down here talking about all the possibilities and all the probabilities. When we are told about Social Security 40 years from now, Medicare 30, 40, or 50 years from now, we are using the best we can in giving those notions of costs and liabilities.

We have \$5.6 trillion. Let's just start right off and say, it is our responsibility to take a good look, with our fellow Senators, at what we ought to do with it. Let me start by saying, we want to pay the debt down as soon as practicable. It is no longer as soon as possible because we have been told now by both the Congressional Budget Office, our experts, and Dr. Alan Greenspan, that there is a limit as to how fast we pay it down.

First, there is a limit because there is certain of our indebtedness that we cannot buy up; it is just not viable, such as savings bonds and the like; they are going to be there.

There is other long-term debt that is too expensive to try to persuade the holders of those debts to cash them in now; it costs too much money. So close to \$1 trillion cannot be paid off as soon as we have the surplus.

We were told by Dr. Greenspan to use a glidepath for the reduction of the debt, and we will use one in whatever

proposals we make to the committee—I will as chairman—and whatever we make to the Senate and to the people. The debt will be coming down rather fast, but not as fast as the money is accruing in the surplus because we are being told it won't work. We are also being told that is probably not good for the future of the American economy.

Let me talk about the future of the American economy. There is a lot being discussed today about Social Security 20, 30, 40 years from now, and Medicare during the same time interval. Those who work very hard at demographics, telling us how many people are going to be collecting from these two major beneficiaries programs, how many are going to be paying in, and how much money we are going to have sitting around, are all suggesting, from what I hear, that the very best thing that can happen is that the American economy has very prolonged intervals of sustained growth with high productivity, much like the last 9 or 10 years. If we want the best outcome for the seniors of America, the baby boom population, in terms of their health care that we can pay for and their Social Security being payable, just have, during the next 40 years, three 9-year growth patterns, or four, like the immediate past ones we have had. That will put us closer to being able to meet our obligations than any other policy we can undertake in the Congress.

In fact, another thing that has been discussed is a rainy day fund. The best rainy day fund is sustained economic growth over a prolonged period of time. That is the best rainy day fund.

Why do I raise this right in the middle of a discussion about surpluses and what should we do with them? Because we are in a slowdown right now. We have different versions of how severe this slowdown is in the economy. Again, he has been correct most of the time. Dr. Greenspan says it is short lived and it is not too deep, and he is correcting it in terms of the short term by substantially lowering the interest, which is within the Federal Reserve Board's power. They have done that in a rather dramatic fashion the last couple months, and I surmise they will do some more.

The question becomes, what policy could we adopt up here that would fit in with these interest reductions and produce long-term growth at sustained rates with low rates of inflation and probably high productivity?

The best thing we can do is, one, pay down the debt on a glide path which says we will get it down but not abruptly. We will get it down within 2 or 3 years of the time that we would get it down if we put all of it on there, or tried to. Then we would take all of the Social Security trust fund money, put it in a lockbox; Medicare. And then we could still provide for very high priority items, both in appropriations and elsewhere. And what is left could, indeed, be \$1.6 trillion that we ought to

give back to the American people rather than keep up here to be spent.

If we do not give some of this back to the American people, and start soon giving it back a little bit each year, I think the highest probability is that the pressure that will be responded to will be to spend it. There is already some evidence that in the last 6 months we have spent over the baseline, over the amount that would have been expected, \$561 billion over the next decade. That is what we have done in appropriations. That is what we have done in entitlements. That is what we have done for veterans and a whole list of them. Surplus was here in abundance. Spending occurred in abundance, and I believe the American people would not like to see a much larger Government because of these surpluses. I think they would like to see Government at the most efficient level possible.

They would clearly like us to give some of this money back to them. I will leave for others on another day whose tax plan is best. I already hear Democrats saying they want a tax cut but not as large as the President does, and they want different shapes and models of it. So, from my standpoint, I am not going to discuss the details of the plan, other than to say one thing: That same Dr. Alan Greenspan who came upon these facts and suggested to us that if we didn't give some of this money back to the people, there would be an accumulation of money in the hands of the Federal Government—and he saw no alternative other than the Federal Government would start investing it in assets of America—contends that would be a negative factor on the growth, prosperity, and efficiency of the American economy, which is what we need for the future of Social Security and Medicare and for our people to have sustained, increasing paychecks.

When you add all this together, you would then say if you are going to give part of it back to the American people—and I want everybody to understand that after you take all the Social Security money and put it where it belongs, you have \$3.1 trillion that is sitting there over the next decade if you believe, or at least have sufficient trust in the estimating, as I do, to act upon it. It is \$3.1 trillion. That is almost unfathomable to people listening, and probably to most Senators and their staffs and my staff and me—\$3.1 trillion. I could give you a number. Our whole budget for everything, including entitlements, appropriations, and the like is somewhere around \$1.6 trillion to \$1.8 trillion per year. So here we have a surplus that is almost twice as big as the total outlays of the Federal Government for a full year. That is at least a comparable.

That same Dr. Greenspan has consistently told us, if you have a surplus, the best thing you can do is pay down the debt. He has qualified that now and said, yes, pay it down under a glidepath

that is best for America. Don't pay it down abruptly because you are apt to create money in the pockets and drawers of the American Government that will invest it in less efficient Government by acquiring assets, owning things.

Having said that, what else has he said repeatedly and reconfirmed? If you are going to have a positive impact on the prosperity level of Americans and have the economy grow, the best tax medicine is marginal rate reductions. Cut everybody's marginal taxes some. He says it will increase savings, it will increase investment, and it is the best way to use tax dollars. He says the third and worst way to have a positive impact on our future is to spend the surplus.

I believe we are moving in the right direction. Debate is good and the President is leading well. I think before we are finished, we will have a significant tax cut of the right kind and still do the marriage penalty and death taxes, and we will have a very formidable expenditure budget. Everything can grow substantially, especially priority items. I think if we work together and work with the President, we can give the American people something very good by the end of this year.

I yield the floor.

The PRESIDING OFFICER (Mr. BURNS). Under the previous order, the time from 12 noon to 1 p.m. is under the control of the Senator from West Virginia, Mr. BYRD.

PROJECTED SURPLUSES

Mr. BYRD. Mr. President, I have listened to my distinguished friend from New Mexico with great interest. May I compliment him on the broad range of testimony that his Budget Committee has been acquiring through expert witnesses. I am a new member of the committee. I am very impressed with the well-organized, well-focused hearings that are being conducted in that committee.

Mr. President, our Nation is facing a fork in the road. The Congressional Budget Office is projecting a 10-year surplus of \$2.7 trillion, excluding the Social Security and Medicare surpluses. These surpluses provide us with the opportunity to invest in our future and to deal with the long-term threats to the budget, such as the retirement of the baby boom generation.

The administration is proposing large and ballooning tax cuts which, if enacted, would have a significant impact on the Federal budget for decades to come. It falls to the Congress to decide how much to allocate to tax cuts, how much to spending increases, and how much to reserve for debt reduction.

Before we make these decisions, we must first decide whether we have sufficient confidence in the surplus estimates to use them to make long-term budget decisions. In his recent testimony before the Senate Budget Com-

mittee, Federal Reserve Board Chairman Alan Greenspan—and his name has been referred to already by my dear colleague, Mr. DOMENICI—expressed his hope that we use caution. He said:

In recognition of the uncertainties in the economic and budget outlook, it is important that any long-term tax plan or spending initiative, for that matter, be phased in. Conceivably, (the long-term tax plan) could include provisions that, in some way, would limit surplus-reducing actions if specified targets for the budget surplus and federal debt were not satisfied.

Now, while we all rely on the professional estimates provided by the Congressional Budget Office, we must recognize that long-term budget projections often have proved to be wrong. In its own report, entitled "The Budget and Economic Outlook: Fiscal Years 2002-2011," released last week, CBO characterizes its estimates as uncertain. On page 95 of that report, CBO States that the estimated surplus could be off in one direction or the other, on average, by about \$52 billion in fiscal year 2001, by \$120 billion in fiscal year 2002, and by \$412 billion in fiscal year 2006. CBO confirmed in testimony before the Senate Budget Committee last week that this uncertainty would grow even larger for fiscal year 2007 through fiscal year 2011.

Further evidence of the volatility of these estimates can be found on page XV of the summary of the CBO report. In summary table 2, entitled "Changes in CBO's Projections of the Surplus Since July 2000," CBO changes its 10-year revenue estimate by \$919 billion. In just 6 months, therefore, from July of 2000 to January of 2001, CBO changed its revenue estimate, I repeat, by \$919 billion and its 10-year estimate of the surplus by over \$1 trillion for economic and technical reasons alone.

In its report, CBO concludes that there is "some significant probability" that the surpluses will be quite different from the CBO baseline projections.

Let me now use this chart, entitled "Uncertainty in CBO's Projections of the Surplus Under Current Policies, in Trillions of Dollars." In fact, CBO indicates that, "there is some probability, albeit small, that the budget might fall into deficit in the year 2006, even without policy changes." So on page xviii of the report, CBO indicates that the probability that actual surpluses will fall—we can see that in the darkest area on the chart—is only 10 percent.

The probability that the surplus will fall in the shaded area is 90 percent. Imagine that after some 15 years of crawling and scratching to get out of the deficit hole, the "d" word just might reappear in our national vocabulary in a scant 5 years even if we stay the course. The "d" word of course, is "deficit."

Yet we are now being asked by President Bush and the Republican leadership to use these extremely tenuous 10-year budget estimates as the baseline for considering a tax cut that could