

be even lower. The most acute problems are faced by farmers whose operations have been hit by floods, drought, tornadoes, and other natural disasters.

So that is why we are here today. Clearly, our economy is in an emergency situation. It needs emergency help. Both parties agree that we need some combination of tax cuts and spending increases right now to try to invigorate the economy. This is an important point. We are elected to serve our people, to make judgments—the best judgments on the best information that we have, given all the facts we can lay our hands on. We have to do it responsibly, with integrity, and we have to do it with due consideration and thoughtfulness.

Remember, budget projections are merely estimates as to what the future will hold for us, even though we have virtually no idea of what, in fact, is going to be happening 2, 3, 4, 5 years from now. These budget estimates, prepared by the CBO and OMB, swing dramatically over very short periods of time—just little changes in projected inflation, growth, and unemployment have huge effects on the 10-year estimates. It is the best we can do given the information we have.

Given all of that, I urge my colleagues not to be too hung up on technicalities, on provisions that are in the Budget Act. They are very good. Those provisions should be there, but we have to exercise our judgment as to whether those provisions should be enforced now or not.

The world is watching us to see what we do in this situation—those businesspeople in the markets overseas. If we do too little, they are going to say America is not standing up.

I think there is a fair expectation that our economy will continue to sink, or that it will not be picked up as much as it could. That is a point made by all the people I have talked to—economists and CEOs across the country—about what is the proper stimulus package. I urge us to exercise our independent judgment as the right thing to do.

Mr. President, my time has about expired.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. BAUCUS. I thank the Chair.

The PRESIDING OFFICER. The Senator from Texas is recognized for not to exceed 15 minutes.

GIVING FLEXIBILITY TO THE PRESIDENT

Mr. GRAMM. Mr. President, I came over this morning to urge bipartisanship on the stimulus package—something we have not had in the Senate. I have to say that, while I have deep affection for the majority leader, I was somewhat taken aback by the tone of his speech. I don't think we are going to benefit ourselves here today by getting into a lengthy debate about the stimulus packages that are before us. I

simply wish to make the following points:

First of all, I do believe the American people have been proud of the fact that, since September 11, we have had a level of bipartisanship in Congress that we have not had in a very long time. I think it is a natural thing. I think the American people should expect us to come together in a period of crisis, and I think they have a right to be disappointed when we don't.

Most of the legislation we have done to this point has been bipartisan. We have had a few sticking points along the way. We are in conference today on airport security. The President would like to have the flexibility to use Government employees where it makes sense, to set Federal standards and use private contractors where it makes sense. Some people have said if you are going to do it, you have to use 100-percent Government employees. They say Government employees are more reliable. Critics say that, with Government employees, you can't fire them; you can't provide incentive pay; you can't reward excellence. It is a lengthy debate.

My own opinion is that when in doubt in a period of crisis, you ought to give the President the benefit of the doubt. I hope we will adopt that bill and give him the flexibility to use Government employees where he thinks they will work best, and to use private contractors under Federal standards where they would work best. It is easy to impugn partisan motives to people in that debate, but I do not think it is very helpful.

I have to say the majority leader gave a lengthy discussion about the tax cuts for the rich in the House plan. It is a funny thing; I guess if you went all over the world today and listened to legislative bodies debate, we would probably be the only great legislative body in the world, and maybe the only body in the world, that is still engaged in class conflict. It was rejected in the Soviet Union. It has been rejected in the Third World.

Our whole history is living proof that in America you give ordinary people extraordinary opportunities and they get rich as a result of it, and is anybody any worse off because of it? I do not think so.

I have been blessed, as I am sure many of my colleagues have been blessed, to have many different jobs. I would guess if I went back to when I first got a job throwing a newspaper or working for Krogers or working for Sam Houston Peanut Company, I may have had 30 jobs in my life. But nobody poorer than I ever hired me, and I never felt hostile to people who had been successful, who had money, who were able to invest it and create opportunities for people like me.

I do not understand this effort to try to breed hate based on people's income. One of the reasons it is so utterly unfair is that it is not as if in America

the only people who have income or wealth are people who are born with it. In fact, everywhere, every day, in every city and town in America, we see ordinary people who become extraordinarily successful. Why that ought to be a point of conflict I do not understand.

There has been a lot of discussion about the elements of the Senate bill. Great sport has been made about provisions of turning chicken manure into energy. I thought that was a bad idea when it was first debated, and I still don't think it is a very good idea.

We are trying to pass a farm bill to pay farmers \$5 billion of additional money not to grow because of overproduction, and in the stimulus bill before us we are paying people \$150 million not to convert agricultural land to other uses. On the one hand, we pay them not to produce, and then on the other hand, we pay them to keep land in production. None of that seems to make any sense to me.

Rather than getting into all the details, I will talk about what a stimulus package is, and I am not going to try to appeal to authority, I am going to try to appeal to logic.

When I was a boy studying economics, economists believed in a set of principles. They reached those conclusions based on the study of history and, by and large, economists would normally agree on certain things. Today economists are like lawyers: You just hire one, and they give you the opinion you want, and they give you the best justification they can to do it, just as a good lawyer who is appointed by the court to defend a killer makes the best defense he can make for the guy because it is his job, even though he knows the man is guilty.

Today you can hire economists to say whatever you want them to say and make the most outrageous argument imaginable. You can find somebody who will do it, either because they have a political agenda or because they have their own economic agenda.

Let me talk about stimulus from the point of view of logic, and just see if what I have to say makes any sense.

First of all, if you want to stimulate the economy and you have a relatively small amount of money, you have options. We have sort of talked about \$75 billion or \$80 billion here. One option would be just to put it in small bills and fly it over cities and dump it out. People could find it and spend it. Is that a stimulus? In a sense, one could say it is. People pick up these \$20 bills, they take them and spend them. The only problem is we took the \$20 bills from taxpayers. Are we really any better off as a result of having dropped the money out of airplanes? I think the plain truth is, no.

The same thing is true about giving tax cuts to people who did not pay any taxes. Quite frankly, I know it is going to be in the final package and the President signed on to it in a compromise—negotiating before the negotiations started in a good will gesture,

which is one of the reasons I love the President, even though I do not always agree with what he is agreeing to.

In trying to get this moving, he agreed we were going to give tax cuts to people who did not pay any taxes. That is like dropping money out of airplanes. I do not think it stimulates the economy because we took the money from taxpayers and are giving it to people who did not pay taxes.

If we want to stimulate the economy, we have to find a way with the \$75 billion to get people to spend not only it but other things. We get that done by finding ways of spending the money that encourage other people to spend their money. Unfortunately, the other people who are spending their money are people who have money and, hence, almost any stimulus package that is worth anything could be criticized that somebody who is wealthy is going to be stimulated to invest their money and they at least think they are going to benefit.

The point is, America cannot be saved except at a profit. The fact that somebody will make money based on a stimulus package is the end objective.

There are two ways we can go about a stimulus package. If I could write the stimulus package, I would write it as follows: First, I would have cut the capital gains tax rate. It does not cost us anything for 2 years. Our experience with it, beginning at the end of the Second World War, has been almost uniformly positive. I have argued for it incessantly. The President decided not to propose it because he saw it as polarizing.

I also believe that making the tax cut permanent would stimulate the economy and bring stability to the economy. It is very destabilizing to have a tax cut that is going to dramatically change and, in fact, go away in 9 years. All over America today, people who could be investing are taking \$20,000 per child and locking it up in IRAs and in gifts to their children and grandchildren to try to avoid the death tax, even though we claim we repealed it. It is coming back in 9 years. So people who expect to live 9 years are using up their resources planning for it.

A decision was made that making the tax cut permanent would be too provocative in a partisan sense, and so that was not enough.

Senator GRASSLEY put together a good package given what we had already agreed to take off the table. I want to make the point—and I make it because Senator BYRD is here. Senator Byrd is going to propose some infrastructure spending. It has a disadvantage and an advantage, but it is one of the few proposals that is being made other than those that are targeted in the sense of targeting investment, tax cuts.

There is no doubt about the fact that accelerated depreciation—allowing people to spend so if they buy new capital equipment to create jobs or open a factory they can write off more of it

quicker—there is no question about the fact that a little bit of money there produces a substantial economic response.

I think we should be doing more of that. When people ask what cutting tax rates and accelerating the tax cut has to do with incentives to invest, do they not realize that 80 percent of the income tax paid by the top 1 percent of taxpayers is paid by small businesses filing under subchapter S as individuals? The top tax rate is really a small business tax rate. When people are saying the average person in that tax bracket will earn \$600,000 or \$700,000 a year, that average person is really Joe Brown and Son hardware store in Texas or West Virginia somewhere, and it is really their rate about which we are talking.

I see that as a very important incentive. I have to say when I look at the list of things we are doing, such as giving movie producers and recording artists and authors tax breaks, I would much prefer lowering the tax that affects investment or spending money on highways as compared to that kind of expenditure.

Let me turn to the whole question of infrastructure, and then I want to sum up before I run out of time.

In fact, how much time do I have?

The PRESIDING OFFICER. The Senator has 2 minutes 27 seconds.

Mr. GRAMM. The advantage of infrastructure is that by improving infrastructure, private investment can be induced. We get the impact not only of building a north/south interstate highway system in Texas, which is what we need—I do not know what they need in West Virginia, but I know we are way behind on highway construction, despite the success we have had recently in which the Senator has been a leader. But we can get a multiplier effect by the private sector investing as infrastructure is improved.

If we are going to use infrastructure as part of a stimulus package, we have to find a way to speed it up because in the postwar period not much infrastructure spending ever really got going until the recession was over.

I will sum up by saying what I think we need to do. First of all, I am going to make a point of order against the pending amendment, not the underlying bill. The point of order is that the pending amendment violates the budget rules. We decided in the 2001 budget that emergency designations for non-defense matters were being abused, and we eliminated them; they violate the Budget Act. But they are being used in violation of the Budget Act, and therefore there is a 60-vote point of order.

Everyone knows the bill before us is not going to become law. So why not make it clear that is the case, so we can end these partisan debates that I know discourage people back home, and sit down around a table and work up a compromise. Compromise means some people get some things they want and other people get things they want.

It seems to me we agree on providing incentives for investment through expensing and through accelerated depreciation. It is in both bills. There has to be a compromise level. We differ greatly as to what we really believe will stimulate the economy. The logical thing to do, it seems to me, is to take half of the funds and do it through stimulation by lowering marginal tax rates to encourage investment, which is what I believe works, and then taking the other half as the Democrats want to use it and spend it, whether they spend it on infrastructure or whether they spend it in terms of health benefits.

In terms of health benefits, it is one thing to help people with health insurance, but it is another thing to set up a bureaucracy that probably would not even be in place until the recession was over. So in terms of spending money on health, I think there could be a compromise.

In terms of setting up this bureaucracy, I do not think the President would agree with that and I do not think that could happen. We have to sit down and work out a compromise. I think the Nation wants us to do it. The sooner we can get on with it, the better off we will be.

RESERVATION OF LEADER TIME

The PRESIDING OFFICER. Under the previous order, the leadership time is reserved.

ECONOMIC RECOVERY AND ASSISTANCE FOR AMERICAN WORKERS ACT OF 2001

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of H.R. 3090, which the clerk will report.

The bill clerk read as follows:

A bill (H.R. 3090) to provide tax incentives for economic recovery.

The PRESIDING OFFICER. The Senator from Montana.

COMMITTEE AMENDMENT, WITHDRAWN

Mr. BAUCUS. On behalf of the Finance Committee, I withdraw the committee amendment.

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

AMENDMENT NO. 2125

Mr. BAUCUS. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Montana [Mr. BAUCUS] proposes an amendment numbered 2125.

Mr. BAUCUS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Is there objection?

Mr. BYRD. Mr. President, reserving the right to object.

The PRESIDING OFFICER. The Senator from West Virginia reserves the right to object.