

mention a few players for their contribution off the field that speaks volumes for the caliber of everyone on the team.

When Derrick Brooks is not playing linebacker and winning the NFL's Defensive Player of the Year award, he is involved in the Boys & Girls Club throughout his area with the Brooks' Bunch program.

The Brooks' Bunch is a group of Boys & Girls Club members whom Brooks began working with after signing with Tampa Bay in 1995. Drawing from some of Tampa's most underprivileged neighborhoods, these kids have become a fixture in Brooks' life.

Aside from 24 tickets he purchases for every Bucs home game, Brooks also mentors and tutors his Bunch, taking them on educational trips to places like Ft. Lauderdale, Atlanta, the American West and even South Africa. Brooks constantly stresses the importance of education, and the kids have responded to his message.

Last spring, they successfully nominated Brooks for the Educational Visionary award from the Hillsborough Education Foundation in recognition of his work with the Brooks' Bunch, a nice edition to his 2000 NFL Walter Payton Man of the Year award.

Then there is John Lynch, Tampa Bay's safety and its 2002 nominee for the NFL Man of the Year. A five-time Pro-Bowler, Lynch established the John Lynch Foundation in 2000 to provide encouragement and positive alternatives for young people.

The foundation believes that good, solid values can be learned through education, sports and community involvement. Through his foundation, Lynch provides financial assistance for high school students to attend the college of their choice.

Finally, there is Tampa wide receiver Kennan McCardell, alias Santa Claus. This past Christmas Eve, McCardell took 10 children from the Hillsborough Department of Child Services foster care program for an early morning shopping spree at a local toy store. McCardell told the kids they each had \$500 to spend. McCardell's generosity rubbed off on the children, who spent some of their allowances on their family and friends.

Again, congratulations to the Tampa Bay Buccaneers on their championship; and thank you Derrick, John, and Kennan and members of the Tampa Bay organization for all your contributions to the Tampa Bay community. You have always been champions off the field, and now you have taken over the championship on the field too.

Be proud, because we are certainly proud of you, Tampa Bay Buccaneers.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois (Mr. DAVIS) is recognized for 5 minutes.

(Mr. DAVIS of Illinois addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

#### FACING THE CHALLENGES OF A STALLED ECONOMY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Kentucky (Mr. WHITFIELD) is recognized for 5 minutes.

Mr. WHITFIELD. Madam Speaker, as the 108th Congress begins, all of us recognize that we face many serious issues, both on the domestic front and on the international front. On the domestic front, obviously health care will be a key issue that we must work with, as well as others. But in order to do that, we must, first, focus on strengthening the economy of our country. Nothing is more important than that at this time.

Recently, I had the opportunity to read a speech given by Mr. Fred Smith, the chairman and chief executive officer of Federal Express. I would remind everyone that he started a company, and, with his associates, from scratch built a Fortune 500 company, operating today in 211 countries. It employs over 200,000 people and produced revenues in excess of \$21 billion last year.

In this speech, he sets out what he believes are necessary steps to be taken to jump-start a stalled economy. I just want to touch on a few of the things that he points out.

First of all, he refers on page 6 to how he agrees with the legendary economist of the early 19th century, Jean-Baptiste Say, who said essentially that supply creates demand. Simply put, the technological and process innovations by scores of inventors, engineers, scientists and entrepreneurs that have marked the history of the industrialized world lie at the heart of economic prosperity.

Then he goes on and talks about why that has not occurred in recent years, why we have not had that type of action, and he talks about how innovations and inventions do continue to pour out of the labs and the R&D centers, but he says that business is not investing because of increased risk. He says that the risk today is unprecedented in modern times. He goes through and he talks about the problems in our legal system, for example, and how on the asbestos claims alone it has cost industry over \$54 billion.

Then he talks about the necessary steps that must be taken to shorten tax depreciation regimes, reduce capital gains, and to remove the double taxation of dividends.

I want to place this speech in the RECORD because I think it is an important speech that sets out very clearly and succinctly steps that must be taken if we are going to strengthen our economy, expand our economy and to create more jobs.

JUMPSTARTING A STALLED ECONOMY  
U.S. Chamber of Commerce, Washington, DC,  
November 13, 2002

Thanks very much for the kind introduction and for inviting me to speak to the Board of the Chamber of Commerce.

I am a big fan of the Chamber and the outstanding work being done by Tom Donohue.

He and his team have made the Chamber once again a significant voice for business in the Washington political debates. We at FedEx very much appreciate Tom's leadership, energy, and commitment as well as the work of the Chamber on many issues of great importance to us.

I am concerned, as I'm sure most of you are, about the state of the U.S. economy. Following the dotcom and telcom meltdown, our economy has simply not gained enough traction to improve the American standard of living and to continue producing the capital stock necessary for the prosperity of future generations.

Sometimes I think I am the Forrest Gump of the American economic scene over the last 30 years. Like him, I've seen it all and many times have been in the middle of the fray, economically speaking.

I founded and ran a small company, and today am CEO of that same company, which has grown to be one of the world's largest—operating in 211 countries, employing over 200,000 people and producing \$21 billion in total revenues last fiscal year. I've also had the pleasure of serving on five other New York Stock Exchange boards. And I participate in several organizations that serve the needs of large businesses such as the Business Roundtable, the Business Council, and various transport industry associations. It is important to recall that the last 1960's also saw the bursting of a technological bubble that had put at risk the fundamental principles of venture capital investing.

After FedEx went public in the late 1970s, the welcome profits we produced for our venture capital investors helped reinvigorate that important sector of the financial markets. In early 80s, given the significant success of FedEx as a start-up and its importance to the venture capital industry, I, alone with the National Venture Capital Association and the American Electronics Association, worked hard to lower the capital gains tax by testifying before Congress on several occasions. And, in fact, Congress did lower the capital gains tax rate in 1983 from 28% to 20%. That same year, capital gains tax revenues increased by 45%. More important, tax revenues continued to grow every year thereafter through 1986. Then, in 1987, the capital gains tax rate was taken back up to 28%. Capital gains tax revenues fell in that year and three of the following four years.

Now many of my views about the American economy have also been influenced by some 30 years' involvement with various administrations and Congress. In this regard, FedEx was a leader in efforts to deregulate transpiration in the United States (and more recently on a global basis), and we are constantly involved with various governmental issues.

Due to this experience, I believe I have a reasonable understanding of the political processes that now greatly influence virtually all economic activity today. Because of this, I know that any business tax proposal must meet the test of the "politically possible" regarding near-term tax receipts.

On the business front, I have watched with great interest the cyclical changes in the economy and the give-and-take between the so-called "symbol economy" of Wall Street and the financial markets, and the "real economy" of hard assets and industrial corporate operations. Clearly, in the late 1990's, the symbol economy was the great driver of economic activity as opposed to the real economy. As a result, the fantastic valuations given various companies by the financial markets led all too often to excesses and in some cases criminal activities. The bursting of the bubble was an inevitable consequence.

But perhaps the most important lesson I have learned watching the economic froth over the years is that the modern economy is extremely complex. Since the beginning of the Industrial Age, great economists have argued that “chicken-or-egg” question—Is it supply that drives economic growth or is it demand?

For decades, Keynesians have debated the disciples of the so-called Austrian school. Its progeny, “the Chicago boys,” have had a remarkable influence over many economic decisions here and abroad. A recent cover of *The Economist* plotted business cycles since the beginning of the Industrial Revolution. Remarkably, it showed that the extremes of these historical highs and lows have steadily decreased over time. Clearly, the advent of the Federal Reserve System and its international counterparts, and the influence of the great monetarists like Milton Friedman have helped domesticate if not fully tame the economic beast. In addition, one would certainly have to mention the Kennedy tax cutters and the Reagan “supply-siders” in any pantheon of key economic architects of the late 20th century.

We have lived through “stagflation” in the 1970’s, the “greed is good” LBO mania of the 1980’s, and of course the incredible bubble of the late 1990’s—an event perhaps matched only by the 1920s stock market crash brought on by that decade’s “irrational exuberance” (to borrow a famous recent quote).

During this 30-year time period, there have been many societal and governmental changes that have helped improve economic performance. Of particular importance to FedEx was the series of deregulatory changes that freed up transportation and logistics industries. These began in 1977 with air cargo deregulation and concluded in 1994 with federal pre-emption of the last vestiges of state regulation.

As a direct result of these new laws, total logistics costs, meaning the interest expense of carrying inventory, warehousing costs, and transportation, have declined from a little over 16% of GDP in 1980 to about 10% today. This remarkable improvement in national productivity has made dramatic improvements in the national well-being.

Equally important, transport deregulation permitted significant business innovations such as the now legendary Wal-Mart just-in-time distribution system, the Dell made-to-order computer revolution, and FedEx itself.

Government has also helped economic growth by funding a significant amount of research and development that led to such innovations as the Internet, communications satellites, swept-wing jet aircraft, and many others. Private capital subsequently invested to exploit these government-funded innovations has spawned significant economic growth.

Finally, both Democratic and Republican administrations since World War II have been committed to opening global markets so that today over 25% of all U.S. economic activity is related to imports and exports. Increased trade has been an enormous overall boon to U.S. GDP, particularly since 1970, when trade was only 10% of the economy.

Having observed all these various economic phenomena over the years, and having studied the various macro-economic theories to the extent this poor brain can absorb them, I have come to agree with that legendary economist of the early 19th century, Jean-Baptiste Say. He said, essentially, that “supply creates demand.”

Simply put, the technological and process innovations by scores of inventors, engineers, scientists and entrepreneurs that have marked the history of the industrialized world lie at the heart of economic prosperity.

I believe economic theorists and politicians greatly underestimate the importance of the “animal spirits” as John Maynard Keynes called entrepreneurial endeavor.

Moreover, I also believe economists are often too concerned about the investment rates in historical or mature businesses which, as all economic theories agree, move constantly towards commoditization, absent innovation and change.

A good example of Say’s law is the RF key chain in my pocket. A decade ago I simply did not know that I needed this tiny device that allows me to lock and unlock my car from a distance. More recent versions allow me to remotely turn the lights on or off and even open the trunk.

This invention has been an incremental but important convenience for millions of people and has, on occasion, even saved lives. The idea sprang from the mind of an inventor, and some entrepreneur inside or outside of a corporation championed its production. The rest is history. This invention came from scientific innovation in fields seemingly unrelated to the traditional automobile—radio frequencies and miniature batteries. And the final product created its own demand, just as Say predicted some two centuries ago.

Naturally, all of us can think of scores of products or processes that have improved our well-being, enhanced productivity, and created economic activity and wealth. The Lipitor I take for my heart is a Godsend; Satellite weather imaging technology has improved all sorts of human activities; and The plethora of entertainment options today can satisfy virtually any taste in leisure activities.

Clearly, the fundamental driving forces of our economy are continued invention and innovation, exploited by capital investment. After all, the fundamental difference between well-paid FedEx drivers and pilots versus a third-world person moving commodities slowly over a dirt road is the investment in the airplane and the truck; in the ATC system and the highway; and in the education and training afforded our employees.

Today U.S. business is not investing at a level necessary to create adequate GDP growth, despite the fact that interest rates are lower than they have been in years. Innovations and inventions continue to pour out of the labs and R&D centers, as reflected by the increasing number of patent applications. What then is the problem? Why are we not investing more robustly? In my opinion, the issue can be summed up in two words—increased risk.

About 3,000 companies make 70% plus of all capital investments in our economy. The leaders of these companies today perceive a level of risk unprecedented in modern times. Our legal system has become a minefield for those who aspire to develop something new or unproven. All economic activity today is subject to after-the-fact scrutiny that may ascribe completely different motives and beliefs than were originally intended. The development of the class-action lawsuit, itself a process innovation, has clearly wobbled our of control. So has the ability of juries to assign appropriate damages and “punishments.”

Now, I have good friends who are plaintiff attorneys. They tell me outrageous awards and abuses of the legal process are the exception rather than the rule. But unfortunately (perhaps because of profile media coverage of the extreme cases) that is not the perception in boardrooms across America. And I am not speaking about the new regulations required by Sarbanes-Oxley or the New York Stock Exchange. I am confident these new requirements are of little concern to the vast ma-

majority of honestly run businesses in this country. A bit more bureaucracy will be created and more money spent on various control activities. But if this makes our public business activities more transparent and improves the confidence level of the investing public, they are welcome changes.

The litigation landscape in the United States, however, has now become a significant drag on economic activity and particularly the all-important activity of invention, innovation and investment required to produce economic wealth. For example, asbestos-related suits alone have cost businesses more than \$54 billion and now threaten companies representing 85% of the economy. (from 11–5–02 WSJ article by George Melloan) Our litigation system simply MUST be reformed if we are to regain appropriate levels of these core economic activities. And I applaud Tom Donohue, the Chamber of Commerce and the Bush administration for making the reform of the U.S. litigation system a top legislative priority.

In a related vein, the Congress must also solve the issue of terrorism insurance. The U.S. air transportation industry simply could not function today were it not for Congress having passed emergency legislation to provide terrorism insurance through the Department of Transportation. This temporary fix must be made permanent not just for transportation, but for all industries. We live in an age when shadowy enemies can strike innocent targets in a variety of devious ways. The commercial insurance marketplace simply cannot provide affordable and adequate coverage necessary to sustain an appropriate level of economic activity without Federal government’s willingness to be the “insurer of last resort” or to cap private liabilities for acts of war.

In addition to the fear of litigation and the lack of adequate insurance against terrorist attacks, businesses today face an equally unprecedented array of new risks due to rapidly changing markets, international competition, and accelerated technological change.

Let me give an example from the aviation industry.

Airlines that invested in domestic wide-body aircraft in the early 1970’s found that the market fundamentally changed in the 80s. Why? Because passengers preferred smaller aircraft flying more frequent flights. Thus, the original book depreciation estimates of 20–25 years for the wide bodies were wildly out of step with reality. The same thing has happened in industry after industry, as rapidly changing markets, new technologies, or new competitors with revolutionary business models have appeared.

The concept of depreciation was developed as an accounting discipline to reflect the expected useful life of a capital asset. Yet, over the years, tax depreciation schedules and book depreciation schedules have diverged, and they have each become a less accurate reflection of reality. In fact, most of the time, companies that make capital investments simply cannot accurately predict the economic life of the asset being acquired. With FedEx having invested over \$20 billion over the last 10 years, I am keenly aware of the role tax policies have on investment decisions.

In my opinion, the most important stimulus for increased capital investment would be simpler, shorter tax depreciation regimes applied to capital in this country. To this end, I suggest moving to a simple, three-category tax depreciation system as follows: First, a one-year depreciation schedule for all high-technology investments and low-value software purchases; Next, a three-year depreciation schedule (perhaps 40%, 30%, and 30%) for all equipment and major software purchases or developments; and Third, a five-

year tax depreciation schedule, 20% per year, for buildings.

I would also recommend that the book life of any asset be restricted to no longer than five times the tax life. For instances, an aircraft with a tax life of three years would be limited to a book life of 15 years. All too often, I have seen managements reluctant to invest in new, improved equipment because of the impact to the reported P&L of a premature write-off of already obsolete equipment.

I believe the second change that's needed to re-ignite our economy is to reward patient equity investment through a graduated reduction of capital gains taxes over the years the investment is held. Lowering the capital gains tax, preferably to zero over several years, would allow the resumption of the all important start-up and mezzanine financing of new businesses. Such a tax schedule would unlock shares of stock long-held by a company founder, a circumstance that applies to me, by the way. I am confident that the release of such stock would be a net plus to the Treasury and the markets. A new capital gains tax schedule of the current 20% for securities held for one year, then dropping 5% a year to zero after a five-year holding period, would be a real stimulus to our equity markets for companies of all sizes. Such a capital gains regime would dampen the speculative churning of securities that was a big factor in the late 1990s bubble.

Lastly, the phase-out of the double taxation of dividends would restore the balance between the "symbol" economy and the "real" economy. Companies that need to make investments would have the option of doing so with equity capital versus debt. Dividends, like interest, would be fully deductible at the corporate level. The same impulses that drove the excesses of the 1980's LBO mania occur now on a smaller scale in American boardrooms everyday. The decision to invest or not is often made and financed based on the deductibility of interest and the punitive taxation of dividends. Having dividends and equity treated the same as interest and debt respectively would offer business managers an alternative model for economic growth. Investors claims on cash flows would be a powerful discipline to invest in only the most productive and wealth-creating projects for society.

If you objectively review the various fads and cycles of the last 30 years, you will see that the unintended consequences of our business tax structure in terms of depreciation schedules, capital gains taxes, and dividends taxation are at the heart of many of our economic cycles and disappointments. While there are many excellent ideas as to how to reform the business tax system, the vast majority are politically infeasible. Valued-added taxes, and so forth all founder on the revenue stream requirements of the U.S. Treasury or the vested interests of powerful political lobbies.

The advantage of the three changes I have suggested is that they will increase federal tax revenues in short order. In the case of depreciation acceleration, I am confident that tax receipts would grow almost immediately due to the rapid increase in transactions and additional economic growth. With respect to a graduated capital gains tax, as I mentioned earlier, figures show that tax revenues rose in the years of, and following the 1983 introduction of the 20% capital gains rate, and fell again when the rate was taken back up to 28% in 1987. A similar phenomenon occurred after the rate was again reduced to 20% in 1997. In fact, according to the CBO, the actual tax revenue increases for the years 1997 through 1999 exceeded initial projected revenues gains by 40 to 50%. We can expect the same kind of impact from a graduated cap-

ital gains tax rate. I believe this is true in the case of the deductibility of dividends as well, although there are conflicting studies as to the timing of the overall benefit. In any case, the reform of dividend taxation could be phased in over several years to lessen the immediate reduction in federal taxes. The new ability of members of Congress to request a dynamic scoring of the effects of tax policy proposals should be able to demonstrate the positive effects of these tax reforms or reforms similar to them.

Most people today are surprised to learn that in fiscal '01, business income taxes only produced about \$170 billion or 8.5% of total federal revenues of slightly over \$2 trillion that year. The vast majority of U.S. tax revenues come from personal income taxes and FICA taxes. This split in revenues reflects the transition over many years to a wealthy, consumer-driven economy, nourished by substantial private investment. The relatively low percentage of federal revenue coming from the current corporate tax system means that such fundamental business tax reform as I've suggested is, in fact, possible. In other words, such a stimulus package for business investment has great upside and manageable downside risks in terms of increasing the near-term deficit.

In conclusion, we must reinvigorate business investment. This engine of future prosperity must now be re-tuned if we are to achieve adequate levels of economic growth and improved productivity to meet the income aspirations and needs of our citizenry. To these ends, the five reforms I've outlined should be the centerpiece of an immediate economic stimulus initiative by the President and Congress.

I'm confident our political leaders have the best interests of the future generations in mind. Being an optimist, I think we can muster the will to get this done. The alternative is so grave that I cannot contemplate our not doing so.

Thank you so very much for your kind attention.

#### FACING THE PROBLEM OF SHABBY TREATMENT OF AMERICA'S VETERANS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Mr. STRICKLAND) is recognized for 5 minutes.

Mr. STRICKLAND. Madam Speaker, tomorrow evening the President of our country will enter this Chamber to deliver to the American people a message concerning the state of our Union. I am sure he will talk about the strength of our military, and he will praise the brave young men and women who even tonight stand ready to defend our country against all enemies.

One of the things I hope the President talks about tomorrow night, however, is the rather shabby treatment that this administration is directing toward our Nation's veterans, those who have fought the battles in years past, many of them now quite old and many quite sick.

□ 1915

Why do I call the treatment of our veterans today shabby? Could it be because for a veteran to receive an appointment at one of our health care clinics, it is not uncommon for them to have to wait 6 months just to see a doctor?

In yesterday's Columbus Dispatch newspaper, Jonathan Riskind wrote a column about veterans' health care, and he started that column with this sentence: "Warning," he wrote. "Warning: The following tale should send chills through the hundreds of thousands of American soldiers poised to go to war, and it should outrage the rest of us."

What was he talking about? He was talking about the state of veterans' health care in America today.

I would just like to point out, Madam Speaker, that approximately 1 year ago the Veterans Administration sent out a memo to all of its health care providers across this country. That memo represents a major policy change. That memo represents a gag order, because in that memo all of the health care providers are directed that they can no longer market VA services to veterans. It is almost unbelievable that at a time when we are poised on the brink of war that this administration would say to those who provide health care to our veterans, you cannot talk about the services these veterans are legally entitled to receive. You cannot go to community health fairs. You cannot go to veterans' services organizations and sign up veterans for services. You cannot make public service announcements about the services that veterans are legally entitled to receive. You cannot send out newsletters informing veterans what the Congress has provided for them.

It is a shameful policy. It is a policy which I think is illegal. I think it is contrary to law. Under the law, before an agency of this government can make such a policy change, they must come to this Congress and give us an opportunity to evaluate that policy and to approve or disapprove. But this policy was instituted without any consultation with those of us in this Congress, and I think it ought to be reversed.

Then, just literally a couple of weeks ago, the VA administration decided to create a new priority group within the veterans' groups. Priority 8, they call it. And then they hasten to say, veterans who are in priority 8 cannot sign up for the VA health care system.

Now, these are men and women who have served our Nation honorably. They have paid the price, given the time, and we are saying to them, because you may make \$26,000 or \$30,000 a year, you make too much money, and so you can no longer participate in the VA health care system. It is a shameful decision, and it is one that I hope the President speaks to tomorrow night. I hope he tells us that he is reversing these shameful policies, that he will no longer put a gag rule on our VA health care providers, that he will no longer deny the ability to enroll in the VA health care service to Priority 8 veterans.

Madam Speaker, I have spent the last several days visiting VFW halls, American Legion posts and other posts. The