

of expected requirements. Veterans would be deprived of significant increases in medical care proposed by the President and the House budget resolution.

NIH—We would not be able to scale-up significantly Federal support for bio-preparedness research and development as proposed by the President. Anthrax vaccine research and development also would be slowed. It would forgo the nearly \$4 billion proposed for the National Institutes of Health which is consistent with Congress commitment to double funding for NIH over a set period of time.

Foreign Operations—Afghanistan reconstruction, including the famous Presidential ring road, would staff, increasing chances that unrest and killings would resume there as the Iraq matter comes to a head. It will severely cut the U.S. contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria and reduce by 30 percent funds for Plan Colombia.

Firefighting—interior has already spent \$1.5 billion on firefighting above what provided in FY02. This has come at the expense of other programs including Member projects. These bills would not be paid under a long-term CR.

Pay—All agencies would have to absorb Federal employee pay increases due in January. This will make it much more difficult for agencies to operate under a current rate and result in widespread layoffs and furloughs.

Pell Grants—A freeze in the Pell program will result in the accumulation of a significant shortfall. There will be a shortfall of over \$900 million, even when factoring in the \$1 billion supplemental appropriation provided to the program in fiscal year 2002.

DEA—We would be unable to hire new agents in response to FBI restructuring, which shifted 400 FBI drug agents to counter-terrorism. We have proposed to hire hundreds of new agents to fight the war on drugs. Not a single new agent would be hired under a long term CR leaving a significant gap in the federal government's drug enforcement capabilities.

GSA Construction—No new starts for any GSA line-item construction (\$630 million); would delay \$300 million for 11 courthouse construction projects, \$30 million for 6 border station construction projects, and \$300 million for 5 other construction projects, including funds for consolidating Food and Drug Administration facilities, a major Census building, and the US mission to the UN in New York. Projects would become more expensive due to inflation.

Campaign finance Reform—No funding for implementation of the Bipartisan Campaign Reform Act making it difficult for the Federal Elections Commission to implement the reforms signed into law by the President.

Federal Prisons—Insufficient activation funds to four Federal prisons that are scheduled to open in FY 2003, exacerbating the already overcrowded conditions in the Federal prison system.

Medicare claims—We would not be able to provide additional funding, as proposed by the President, to handle the increased Medicare claims volume in a timely manner. The President proposed a \$143 million increase to adequately process the growing number of claims. A long term CR would significantly slow down the claims process and unnecessarily inconvenience Senior Citizens who depend on Medicare.

Yucca Mountain—A CR at the FY 2002 enacted level of \$375M would significantly cut DOE's nuclear waste repository program by over \$200 million. This would cause real delays in the scheduled opening of the facility.

The Special Supplemental Feeding Program for Women, Infants, and Children (WIC)

would be reduced \$114 million from current levels. This would result in less assistance being available for families who depend on this important program, especially in uncertain economic times.

The Food and Drug Administration would be reduced by \$138 million which would result in immediate furloughs and RIFs among newly hired employees responsible for enhanced availability of drugs and vaccines, and for increased food safety activities (primarily surveillance of imported food products, an identified vulnerability).

Social Security—The President also asked for a significant increase in funds to process and pay benefits to the millions of Social Security recipients.

The PRESIDING OFFICER. Is there objection to the unanimous consent request of the majority leader?

Without objection, it is so ordered.

The joint resolution (H.J. Res. 1) was read the third time and passed.

#### EXTENSION OF MORNING BUSINESS

Mr. FRIST. Mr. President, I ask unanimous consent that the period for morning business be extended until 3 p.m., with the time equally divided, and that Senators be permitted to speak for up to 10 minutes each.

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

Mr. SANTORUM. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HARKIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. TALENT). Without objection, it is so ordered.

Mr. HARKIN. Mr. President, I understand that the Senate is now in morning business. I ask unanimous consent that I be allowed to proceed in morning business for up to 30 minutes.

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

#### STATE OF THE AMERICAN ECONOMY

Mr. HARKIN. Mr. President, I want to spend some time today here on the floor of the Senate discussing the state of the American economy, the choices we face, how we got here and hopefully a vision for a better future for our middle-class working families.

What is the state of the Nation's economy? You don't need to look at the economic indicators, and the latest unemployment statistics, although they could tell you a story. You can just walk on the streets of Burlington or Waterloo or any city, or most towns large and small anywhere in America. For ordinary people paying taxes, it is tough for families right now. People are hurting.

In the longer view, we face a growing fiscal and economic crisis due to a lack of reasonable economic leadership of

this President. We have returned to deficit spending and are mortgaging the dreams of the middle class with millions to finance a tax cut aimed at the very few. That tax cut is squeezing out sensible, middle-class tax relief. It is squeezing out funding for health care and education. In the last year, the President, even in his budget reduced funding for the Leave No Child Behind Act, which just yesterday at the White House he was touting as being a great success. It is squeezing out money needed for that.

Worst of all, the President's fiscal mismanagement threatens Social Security and Medicare, and threatens having a real prescription drug benefit that is so needed. It threatens the need that we have to raise the floor on Medicare payments to States. My State of Iowa is right now rock bottom in the Nation in terms of beneficiary funding for Medicare.

Again, we are facing the retirement of the baby boomers who are coming along pretty soon; and, of course, the need to fight terrorism.

All of these are being squeezed by the misguided and misplaced economic policies of this administration. To date, the economic leadership of President Bush has been a miserable failure.

Let us start at the beginning.

On the day that George W. Bush was sworn as the 23rd President of the United States, the 10-year budget surplus was estimated at \$5.6 trillion \$3.1 trillion on budget—the largest in American history. That year's budget surplus was \$236 billion—again, the largest 1-year budget surplus in our Nation's history. The economy had created 22 million new jobs in the previous 8 years. Unemployment stood at 4.2 percent, a record.

The Nation's fiscal health in January of 2001 was such that facing a slowing economy, we could have passed a substantial stimulus package to boost the short-term economy without harming the Nation's long-term fiscal health. In kind of simple terms, it is if you or I get sick, and if we eat right and exercise, and we are in good health, we can even ride out the occasion of a bad flu, for example. But if you haven't taken care of yourself, if you haven't eaten right, and you are not in good health overall, a simple flu can put you in the hospital or on life support. That is the kind of smart economic plan we followed in the 1990s. Those fiscally responsible and pro-growth policies made it possible for us to deal with the short-term economic slowdown without harming our Nation's long-term fiscal health.

Unfortunately, President Bush chose a different but now an all-to-familiar economic course—a massive, fiscally irresponsible tax cut that does little to create jobs but does benefit largely the wealthiest among us. It has little or nothing to do with helping the middle class or with creating jobs.

In this day and age it seems that a Republican candidate running for

President can never go wrong by proposing a massive, deficit-bloating tax plan that largely benefits the wealthy. That is what candidate George Bush did in 1999. It was not about the state of the American economy, it was about simple Republican politics.

The Bush tax plan forgot that Americans don't live their lives on the right or the left of political parties. They live and work and struggle as part of the great American middle class. And they are here every day—not just on election day. They deserve economic policies that respond to their needs—not the short-term political goals of this President, or any other politician or party or political theory. Not only is the Bush tax plan rooted in what I call 2000 Republican politics, but it is deeply rooted in a failed economic theory called "supply-side economics." Supply-side economics is nothing more than a dressed up fancy name for what we called back in the 1920s and the 1930s trickle-down economics. In fact, former President Bush called it, I think, what it really is. He once termed it voodoo economics.

You can call it anything you want, but, in the end, it spells disaster for America's long-term fiscal health. At its core, trickle-down economics says that if we just slash marginal tax rates, particularly for the wealthiest Americans, they will get so much money that it will trickle down, and the economy will grow so rapidly that this tax cut will, to a significant extent, pay for itself.

Well, it is a nice theory for those who are not weighted down by the burden of reality. It does not work in widely held economic theory and it did not work in practice when former President Reagan tried it in 1981. That is a fact.

Many will claim that the 1981 tax cut was good for the economy. In fact, the economy dropped like a rock. When it passed in August 1981, unemployment was 7.4 percent. By the end of the year, it had climbed to 8.5 percent. A year after passage, it was continuing to rise, reaching a peak of 10.8 percent.

In Iowa, we faced the worst farm and small-town prices since the Great Depression. I have a chart in the Chamber that depicts what happened after the 1981 tax bill was passed. It shows the unemployment rate going up and up and up and up all the time. That was the result of that 1981 tax bill.

While the economy did get back on track, it did thanks to a sharp cut in interest rates by the Federal Reserve in 1982. But the adverse effects of this misguided tax policy remained. The Federal deficit climbed from 2.7 percent of the gross domestic product to over 5 percent—double. More importantly, over time, the Government's publicly held debt multiplied fivefold as well.

This failed philosophy is now being put into practice for the second time with the first Bush tax cut and now with this proposed second tax cut. That is why I call those who support this

failed economic program "red ink" Republicans. Maybe, as we move ahead if this is the course Republicans choose, I say to the Presiding Officer, we should replace the symbol of the Republican Party with something more fitting. Rather than an elephant that is supposed to have a great memory, perhaps the symbol of the Republican Party ought to be a big bottle of red ink, because every chance that these "red ink" Republicans get, they leave us swimming in red ink in this country. They did it in 1981. They are doing it again now—deficits, deficits, deficits as far as the eye can see.

This chart shows what happened during the 1980s. The deficits climbed. Then, in 1993, we enacted the Clinton economic program. Look what happened to the deficits. Down they came. Down they came, until we had the largest surplus on record.

Then we hit 2001, and another trickle-down economic tax plan, with deficits soaring again. And again, we are swimming in red ink in this country. The trickle-down, red-ink tax cut in 1981 did not get folks to work then, and it isn't now.

Just look at how many of my Republican friends reacted to the recent appointment of Stephen Friedman to the chairmanship of the President's National Economic Council. Many vocally opposed Mr. Friedman's appointment because, of all things, he was a member of the Concord Coalition, a bipartisan organization focused on doing away with the deficits. They certainly did not want anyone like that as the Chairman of the President's National Economic Council.

I think the case of Mr. Friedman signals the modern day Republican Party's total abandonment of fiscal discipline. It began in 1981. It continued through the 1990s as Republicans, to a person here in the Congress, opposed President Clinton's economic plan, a plan that balanced the budget, brought us a surplus, created 22 million new jobs, and gave us the longest economic expansion in America's history.

Now these "red ink" Republicans are still at it today. We heard all kinds of arguments in 1993—I was here—from my friends on the other side of the aisle about how terrible this 1993 recovery plan was going to be. Why, it was just going to be awful. It was going to destroy this country. And yet, as I said, it created one of the longest economic expansions in our Nation's history. Not one Republican voted for it.

One trickle-down Republican after another united in one prediction: that the 1993 bill was going to ruin the economy.

Well, let's take a look at what happened, after that 1993 bill was passed, in terms of unemployment. Unemployment was high. We passed the bill and unemployment came down. It came down, in fact, to the lowest point in our Nation's recent history; down to about 4 percent in the late 1990s.

Now we come to the end of 2000. We have our country on course. We have a

record surplus. We have predicted surpluses for this decade of over \$5 trillion; a healthy basis on which we could now begin to address the needs of the baby boomers as they start to retire, reduce the public debt, get our economy on a sound keel, and then, when the baby boomers retire, we will have the wherewithal to meet those needs of Social Security and Medicare. That is where we were at the beginning of the Bush Presidency in 2001.

That was until President Bush sent down his tax proposal of 2001. The Congress passed it and sent it to the President. The price tag was supposed to be \$1.35 trillion, but the actual cost was much higher. It was only by using some accounting gimmicks and tricks that would even make Ken Lay of Enron blush. The actual cost goes much higher.

The 2001 tax bill was structured in another interesting way. In 2001, those in the top 1 percent of income—with incomes averaging over \$1 million got under 10 percent of the benefits. For 2002 and 2003, they get under 20 percent of the benefits. By 2006, they are scheduled to get over a third of the benefits. And in 2010, they get over 50 percent of the benefits.

This truly is trickle-down economics. The top 1 percent's share of the Bush tax cuts—see, it is a kind of little trick. It starts out low, but look what happens when we go through the decade. And we wind up in a decade where over 50 percent of the Bush tax cut goes to the top 1 percent, the wealthiest people in this country.

What did President Bush tell us at the time in trying to pass this bill?

I quote here from a speech he gave at Western Michigan State:

Tax relief is central to my plan to encourage economic growth, and we can proceed with tax relief without fear of budget deficits, even if the economy softens. Projections for the surpluses in my budget are cautious and conservative. They already assume an economic slowdown in the year 2001.

President Bush gave that speech on March 27, 2001:

... we can proceed with tax relief without fear of budget deficits. . . .

We went from a surplus, the largest on budget surplus in our Nation's history of \$83 billion, to over a \$300 billion deficit just two years later; a shift of over \$400 billion in just two years. \$½ trillion in surpluses wiped out in 2 years of this Presidency. And he said there would be no fear of budget deficits. Well, maybe the President doesn't fear budget deficits; maybe like President Reagan.

Maybe they don't care, but the middle class in America, the baby boomers about ready to retire better fear it because it is eating right into Social Security. That is exactly what it is doing.

Then he says, "projections for the surpluses in my budget." Can you believe that his budget actually projected surpluses when in the very first year it plunges us into the biggest deficits we have ever had?

I can only say that if I were President and my economic advisers had given me this plan and written this speech for me, which I assume they probably did for him, and it turned out the way it turned out, I would fire the whole lot of them. Obviously, they didn't know what they were talking about. Either that or they knew what they were doing, they knew what they were talking about, and they were pulling the wool over the eyes of the American people. I tend to think that is really what it was about. It was a scheme to reward those who had done the most to help this President get elected, a massive tax cut for the wealthiest in our country.

Two years after this quote, here is the Bush economic record: The estimated 10-year budget surplus of \$5.6 trillion is wiped out; this year's on-budget deficit, \$319 billion as estimated by the CBO. The economy has shed 2 million jobs, the worst record of negative job creation of any President in more than 50 years.

I must hand it to this President. All this was done in 2 years. It is amazing. The latest unemployment is about 6 percent. This is where we came from: 4.5 percent in April, 2001 when the bill became law. After 18 months, it is still going up. Hang on.

That is why we need a short-term stimulus to stop the rise in unemployment. Quite frankly, the President's program of slashing taxes on dividends will not do that. I will explain that.

The Center on Budget and Policy Priorities noted that:

The tax cut would cost the Treasury approximately \$4 trillion in the decade after 2011, the same period when the baby boomers will begin to retire in large numbers and the cost of Social Security and Medicare and Medicaid and long-term care will rise substantially as a result. Yet it is during that same decade, after 2010, that the cost of a permanent tax cut would explode as all of its revenue losing provisions would then be fully in effect.

As I pointed out, after it goes fully into effect, well over half of it goes to the top 1 percent of our country. And yet those who rely on Social Security and Medicare and long-term care are the ones put at risk.

Continuing:

[If] the tax cut takes full effect as scheduled and continues after 2010, the long-term cost will substantially exceed the 75-year deficit projected within Social Security. In fact, if the tax cut were just scaled back so that three-fifths of it took effect while the funds of the other two-fifths were used to strengthen Social Security, the entire 75-year projected deficit of Social Security could be eliminated.

There you have it. You have your priorities. Do you want to shore up and secure Social Security for the next 75 years, or do you want to give the top 1 percent of our country more tax breaks?

That is the course we face. That is the course we have to change: Going from an \$86 billion budget surplus to a \$318 billion deficit, a shift of over \$400 billion.

The economic record of this President is one of fiscal mismanagement, economic stagnation, rising unemployment, and jeopardizing the jobs and the futures of our middle-class families and jeopardizing the long-term health of Social Security and Medicare. That is why we have to change course now.

I said, we need to begin with a stimulus package to stop the rise in unemployment. In the coming debate, the President has already accused some of us on our side of playing "class warfare." But it is the President's own tax cut of 2 years ago that already declared class warfare, class warfare on the middle class. Take from the middle class, give to the wealthiest 1 percent. If that is not class warfare, I don't know what is.

Middle-class families are not getting their fair share of tax relief. They are not seeing their incomes rise. Many are losing their jobs. And every day hundreds of thousands of working families go without any health insurance. Millions of Americans are already without any health insurance coverage whatsoever; every day hundreds of thousands more are added to the rolls.

For some reason the President cannot see the pain that his economic policies are causing. The President's refusal to see his own mistakes reminds me of that scene from the *Caine Mutiny*. The ship was sailing through a typhoon. It was in danger of floundering, but stubbornly and rigidly, Captain Queeg tells the helmsman to hold course, because Queeg refused to listen. He refused to see the danger ahead. He could not save the ship.

Just like the crew of the *Caine*, our first loyalty is in saving the ship, not protecting the captain, not blindly following what the captain says when we plainly know what lies ahead. That is why it is time for us to change America's economic course. We need to provide an immediate stimulus to put people to work.

The President made his proposal. It is more of the same—more tax cuts for the wealthiest, little for working and middle-class families. The centerpiece of the President's new proposal is the elimination of dividend taxes at an estimated cost of \$364 billion over 10 years.

According to the tax policy center, about 45 percent of these benefits will go to the wealthiest 5 percent of taxpayers. Sound familiar? It should. We did the same thing 2 years ago.

Here are the facts: A 100-percent reduction in dividend taxes, plus the other components of the Bush economic plan, would provide for those who make more than a million dollars a year over \$88,000 in tax cuts this year, 2003. For my fellow average Iowan making between \$20,000 and \$30,000 a year, they will get \$204 in 2003. So I guess the President is right. Everybody gets a little something—yes, average working families get the crumbs from the table and the wealthy get the smorgasbord. But, looking ahead, most

of the benefits that went to average taxpayers dissolve. But, the linchpin of the plan that mostly goes to the top 5 percent, that continues on for the long haul

That is class warfare. It is a direct frontal assault on the middle class in America. But not only is the Bush plan class warfare, it mortgages our future by raiding the Social Security and Medicare trust funds. And now it will shortchange key investments in education, health care, and homeland security. I predict—and I will come to the floor next week and apologize if I am wrong—that the appropriations bills that will be brought up by the Republican side to be added to the continuing resolution for this year will have cuts in education compared to what the Appropriations Committee approved last summer. I predict that there will be cuts in education.

Quite frankly, in the budget for this year that the President sent up for fiscal year 2003, he actually proposed cutting funding for Leave No Child Behind. Secretary Paige was on television today saying that was wrong. Next time I see Secretary Paige, next time he comes before our committee for a hearing, I am going to get the White House's own budget book and lay out the programs for Leave No Child Behind and show him what the President's budget was. There was a cut of \$90 million in the Bush budget this year for the Leave No Child Behind programs. Why? So we can pay for all these tax cuts for the wealthiest in our society.

Trickle-down economics. We need to get a prescription drug benefit through for the elderly, but there will not be any money for it. Why? Because we are going to have a tax benefit, doing away with taxes on dividends, which benefit the wealthiest 5 percent. We will not have any money left for prescription drug coverage. So we have to change course. We cannot blindly follow the captain in his misguided economic policies for America. We must stimulate job growth now and it must not come at the expense of Social Security.

I think the following elements should be addressed and should be passed to get our economy going. First, extend the unemployment insurance benefits. We need to do that now. We have considerable reserves and now those facing long-term unemployment need help. Of course, if they get that money, they spend it quickly and it helps the economy. Now, we did pass an extension this week that is short, but we need to do more.

Secondly, we need to provide fiscal relief for the State. States all across the country, including my own, are facing huge deficits that they have to eliminate under their State constitutions. That means there are going to be big cuts in crucial services—often health care for the poor or the working poor, education for our children, housing, help for the homeless, things that States have to spend a lot of money on.

Well, they will not have it. So we are going to need to step in to provide these crucial services.

Third, we need to quickly put people back to work on things we need. I have been trying for years to get the Congress to address the need of rebuilding and modernizing schools all over America. We did succeed in getting a billion dollars into that program in the last Clinton budget for 2001. The results of that are now coming in from States all over America. That money was used to rebuild and modernize schools all over America.

Our experience in Iowa—I can only speak about that because that is all I have the data for right now—was that for every dollar that we put into rebuilding and modernizing schools in Iowa, it translated into well over \$20 of economic activity. It put people to work, it got money into the economy, and guess what we got out of it. We got new schools, new classrooms, better equipped classrooms for our teachers to teach in.

There are many projects in this country that are truly needed. We can have people working on these within months. I was told when they were using this money to build a new school in Iowa with this money that not only did it put people to work immediately, but the whole chain—everything from the electricians ordering electrical parts, lights and wiring, to those who put in the wallboard, ordering that, and the lumber and the tile and everything that goes into that. As one small restaurant owner told me, for the year and a half they were building the school, he even had people come in there buying lunches, so it even helped that local economy. This is what we need to do to get people back to work right away.

Fourth, we need to pass a short-term middle-class tax cut that will improve our short-term economy without further harming our long-term fiscal health. I say that we should consider a short-term payroll tax holiday, paid through the general fund, that will put money in the hands of people more likely to spend it right now. If we had a payroll-tax holiday, people could get their money directly through the regular payroll checks, that will speed up its delivery and the likelihood that it will be spent now.

We need to stimulate the economy right now and this would help working people left out of the tax rebates in 2001.

Fifth, we must cut wasteful spending and close tax loopholes. I have outlined a series of cuts in Government spending that would do that. I say to my friends on the other side that we can have a significant stimulus package and we can take care of the unemployed, provide tax relief for middle-class families for this year, and reduce the size of Government at the same time.

One of the first things we have to do is have competitive bidding in Medi-

care. Now, we have cut down the waste, fraud, and abuse in Medicare over the past 10 years. It has gone from \$20-some billion a year to around \$11 billion or \$12 billion. We have a ways to go. But the one thing that would save money right now and cut wasteful spending would be good old-fashioned competitive bidding in Medicare. We ought to do it and we ought to do it soon.

I believe that the stimulus package should entirely be in the people's hands this year. The cost should not exceed \$100 billion. And, that it could be more than fully paid for over the course of ten years through the implementation of reductions in spending by things like requiring competitive bidding on durable medical equipment and by eliminating the tax rate cut that only goes to the one percent of those with the highest incomes, averaging over a million dollars a year. We also need to eliminate allowing Benedict Arnold companies and individuals that make their home overseas in order to escape paying their fair share of taxes.

Well, this, I believe, is the course of action we ought to take and not continue on the disastrous course we were set upon 2 years ago. And now we are asked to make it even worse with the new President Bush proposing tax relief for the wealthy. We need a strategy that adheres to these good principles: benefit working and middle-class families, focus on job creation, restore fiscal discipline. In short, America's new economic strategy must take into account the economic realities, not failed trickle-down theories or cynical political strategies purely for election purposes.

When it comes to the economy, I will paraphrase President Bush in his acceptance speech at the Republican National Convention almost 3 years ago: You have had your chance. You have not led. We will. That is what we need to do.

President Bush's response was to make permanent the 2001 tax windfalls which will blow a hole in the budget to endanger Social Security. Add to that another windfall tax benefit to the wealthiest in our country. By every measure, it is the wrong course for America. It will just ensure the rich get richer, the poor get poorer, and the middle class gets stuck with paying both of the bills. It is time for a new direction. I am hopeful that in the Senate we can have a real debate over the best economic policies for the future of our country.

When it comes to the economy, the President reminds me of the guy who is lost driving but he refuses to pull over and get directions. He just keeps going down the same roads over and over. Mr. President, it is either time to pull over and get directions or let someone else drive because it is obvious, Mr. President, you and your economic team are lost. It is time to return to policies we know work: Balanced budgets, tax cuts for working families, investment in

education and health care, not failed trickle-down economics.

Let's start the debate. Let's have the debate, but more than the debate, let's have the votes in the Senate. We can no longer afford to delay. We have to step up to the plate and change our course. We are now in the midst of a serious economic and fiscal predicament. We have to make some adjustments, some course corrections. We cannot cling dogmatically and rigidly to the same old policies that did not work before, are failing us now, and will jeopardize the future of Social Security and Medicare.

Again, let's have the debate but, more importantly, let's have the votes to change the economic course in our country so that our middle-class families are the ones who benefit. Let's end the class warfare declared on the middle class by this President and his failed economic policies. Let's recognize that we are all in this together, and the best way to keep that ladder of opportunity there so people, yes, on the bottom can become middle class and, yes, those in the middle class can become rich is to change the failed economic policies of this administration.

I yield the floor.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. LEVIN. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. REED. Yes, I yield.

Mr. LEVIN. Mr. President, I ask unanimous consent that after the Senator from Rhode Island speaks for up to 10 minutes, the Senator from New York then be recognized for 10 minutes, and then I be recognized for up to 10 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Rhode Island.

Mr. REED. Mr. President, the American economy is in serious distress and thousands of families across America are suffering. When President Bush took office in January 2001, the unemployment rate was 4.2 percent. In November of 2002, the unemployment rate was 6.0 percent; 2.2 million more Americans were out of work than when President Bush took office in January of 2001.

The economy is not growing fast enough to generate the jobs that continue to employ millions of Americans. Labor market conditions are not improving. In fact, tomorrow the Bureau of Labor Statistics will report on employment statistics in December, and they are likely to be unchanged from November, roughly 6 percent unemployment in the United States.

This is an extremely disappointing economic record, and the Bush administration is refusing to take prompt and responsible action to put Americans back to work.

Increasingly, we hear the Republicans trying to deflect this situation by claiming this is the Clinton recession, but the National Bureau of Economic Research, which is recognized as

the authority on these matters, indicated that the recession began in March 2001, months after President Clinton left office, several months after President Bush assumed responsibility for economic policy.

Indeed, in the last full month of the Clinton administration, the unemployment rate was 4.0 percent. In the last full quarter of the Clinton administration, the economy was still growing. More to the point, rather than assessing responsibility, a President of the United States, regardless of responsibility, has to act on behalf of the American people, and we are still waiting for prompt and effective action from President Bush to remedy the ills of this economy.

What has the President proposed to get us moving again? He is proposing, as the centerpiece of his plan, a massive elimination of taxation on dividends, which has several problems.

First, it would have no immediate stimulative effect on the economy.

Second, it is grossly unfair. It will accrue to taxpayers with very high incomes and provide little or no benefit to the majority of taxpayers, including most seniors, and it significantly erodes long-term budget discipline, which has been the foundation of economic growth in this country since the Clinton administration.

When we began debating a stimulus package over a year ago—because even then we recognized the economy was foundering—the four leaders of the House and Senate Budget Committees on a bipartisan basis established principles for any effective stimulus package. The Congressional Budget Office used similar principles in a report in January of 2002 evaluating proposed changes in tax policy aimed at providing stimulus.

The President's dividend proposal, when measured by these bipartisan principles, fails dramatically.

First, a tax cut is most effective as stimulus when it puts money into the hands of the people who will spend that money almost immediately, but based on the administration's own theories, only \$20 billion of the projected direct cost of \$364 billion over 10 years will be spent in the first year. A small fraction of the ultimate cost of this tax plan will be available to be spent in the near term. That is when we need stimulus. That is what a stimulus package is all about.

Second, the dividend proposal is particularly poorly targeted as stimulus. Most families have little or no direct ownership in stock. They have pension plans, they have Keogh plans, they have retirement accounts, but the majority of direct ownership of stock is concentrated in the hands of very wealthy individuals, higher income households that are more likely to save the money than to immediately engage in consumption, to increase demand, to get the economy moving.

As I mentioned before, a stimulus by its very nature should provide imme-

diately effects, but even the \$20 billion in projected stimulus for 2003 is not really stimulus because taxpayers will have to wait until they file their returns next year until they actually see this money in their hands.

Stimulus should not undermine long-term economic discipline. We found out through the policies of the Clinton administration that sound fiscal policy in Washington, leading ultimately to a surplus, was the foundation for economic expansion, the longest running economic expansion in the history of this country. We are in grave danger of losing that economic discipline, of seeing interest rates begin to climb and choke off growth.

For all these reasons, the President's proposal, particularly his centerpiece, the dividend proposal, is bad economic policy.

Some have said these criticisms are just an exercise in class warfare. Let me tell my colleagues the facts. Under the President's proposal, the 226,000 tax filers with more than \$1 million of income—about .2 percent of tax filers—will receive an average tax cut of almost \$90,000. A third to a half of that will come simply from this dividend proposal.

In contrast, the 109 million taxpayers with incomes under \$75,000—the middle and working class Americans, 82 percent of taxpayers—will receive an average tax cut of \$273. Let me once again suggest the dimensions here: 226,000 upper-income tax filers versus 109 million middle-class and working-class tax filers. The 226,000 receive \$90,000 on average; the 109 million—the rest of us—receive about \$273. Now, nearly a quarter of elderly taxpayers will be left out of this bounty. Nearly half the heads of households with children will be left out of the benefit.

I have concentrated on the bad economic policy associated with this proposal. But it is also terrible budgetary policy. Even without the President's new proposal, we have seen a stunning decline in our fiscal situation. In January of 2001, we were looking at a projected surplus over 10 years of \$5.6 trillion. In fact, we were shopping around—not really “we,” the Republicans—were shopping around for tax cuts because they said we will have too much surplus and we will not be able to conduct debt operations of the United States. We will have too much surplus, and we will not be able to find investments for all this money. In a little over 2 years, we have seen those surpluses disappear.

Still, we have educational issues we have to fund and health care issues. Ask the average American what they are most concerned about, the first concern is health care. Can I get it? If I am a business man or woman, can I afford to give it to my employees. Second issue, can we maintain education? That is not just an issue for families but for States and localities. They are suffering under tremendous budget pressure. Their two biggest items of expense are health care and education.

And we have the challenges of international affairs and of homeland defense. All of these proposals require expenditures that cannot be ignored or deferred. And the President proposes further to weaken our fiscal balance, our fiscal foundation.

And there is another issue. We are within a decade of the baby boom generation reaching retirement age, a huge demographic tidal wave. Will we be prepared for it? Will we have the resources to take care of Medicare and Social Security? Not if we cut taxes as dramatically and as inefficiently and inappropriately as the President has asked.

Now, there is an alternative to the President's proposal. That is a proposal that Democrats in both the Senate and House have advocated. The plans differ but they are consistent in many respects. They want to give tax benefits to middle and working class Americans. They want to make sure these benefits are immediate. They can be spent now to stimulate the economy and get them going forward. And they are crafted in such a way we do not jeopardize any further our fiscal discipline here in the United States. These are the proposals we should enact. I hope we do.

Let me conclude by summarizing a major concern I have. We will, in the weeks ahead, debate this issue of stimulus and growth. We will take votes on stimulus and growth. We will try to adopt economic policy. But for me, the real issue is not whether we reduce taxes, the real issue for me is whether we are going to have a Social Security system for Americans of this generation, of my generation, and of future generations.

This chart is illustrative. Where is all the money coming from in the President's proposal, \$933 billion? That is not just a direct tax benefit, that is all the interest over 10 years that we will have to pay because of this deficit. Where does it come from? It comes from the Social Security system. I fear that if we enact the President's proposal, within months the President will simply say we can no longer afford Social Security. We have such a large deficit now we have to abandon the system.

I hope all my colleagues and the American people pay attention to the votes in the next several weeks. They are not about growth and stimulus but about whether we will have a Social Security system, whether we will have an adequate Medicare system, whether we will keep our promise over 60 more years to the people of America.

These are daunting times. We need policies that will work, that will be fair, and that will leave us stronger rather than weaker. I hope we adopt these policies.

I yield the floor.

The PRESIDING OFFICER. The Senator from New York.

Mrs. CLINTON. Mr. President, I commend my colleague from Rhode Island;

he has done a superb job in his leadership of the Joint Economic Committee, following the economic trends and keeping track of all of the evidence that supports the remarks he has completed.

I join the Senator and my other colleagues in sharing some of my own thoughts on this latest tax proposal outlined by the President. I will be sure not to call it a stimulus package because it is not. In fact, as I understand it, the President and his staff have recently been careful not to describe it as one either. Yet, again, the administration has opted to use our stumbling economy to stimulate budget-busting tax cuts, rather than to use common sense to stimulate the stumbling economy.

There is a conventional wisdom developing in Washington. One can almost see it and one can certainly hear it as it emerges from the pages of our national newspapers and our television talk shows. That conventional wisdom proclaims the boldness of President Bush's economic strategy. "In for a dime, in for a dollar," says one of our colleagues. "Big steps get more followers," says a White House official.

I am relatively new to the Senate but not to the work of public service. So I do have a healthy respect for conventional wisdom and the power that it has over how people think and even act about the issues. I also know enough to be weary of marching in lock step with the latest line. Far too often, what we collectively say and think today is proven to be wrong tomorrow.

I will not deny that the President's plan is, as conventional wisdom holds, bold. I looked up the meaning of that word. There is nothing that equates "bold" with "good" or "bold" with "right." We should not assume that the solution to our deficits or to our faltering economy is to in some way take bold action, even if it is wrong. We ought to be looking for the right action that will bring about the results that all agree are in our country's best interests.

Winston Churchill once said: Never in the field of human conflict have so few given so much to so many. The Bush economic plan turns that saying on its head: Never in the field of economics have so few been given so much at the expense of so many.

What is this really all about? I believe fundamentally it is a question of values. What do we as Americans value? Every discussion we make about our own private money or that we make as a society about tax or spending decisions is at bottom a decision about values. People who live for today because they will not plan for tomorrow are demonstrating their values. They are not willing to put away and save. They think somehow it will rain from heaven. We look at them and say they are irresponsible.

Here, when we look at the tax decisions proposed by this administration, we have to ask ourselves, What are the

values that are embedded in these proposals? I believe when it comes down to a choice about values, the American people expect us to be making choices that reflect their values.

During the 1990s, we saw the creation of over 22 million new jobs. That reflected our value of work and the belief that a good job is by far the best kind of outcome for any economic or social policy.

Over the last 2 years, we have seen what is called negative job growth. That means that people are losing jobs and are not able to find them. During the 1990s, real median family income grew by over \$6,000 with double-digit income growth for all income brackets, and unemployment and welfare rolls hit their lowest level in 30 years. We ended the 1990s with the largest surplus and 3-year debt paydown in American history. Those reflected solid American values: Pay as you go; live within your means, the kind of values with which I was raised, the kind of values I think made America a very great nation.

We are at this turning point. I think someone has to say that a strategy of "in for a dime, in for a dollar" is not the strategy for our Nation.

Many Americans are counting their pennies. They are worried about where their next dollar is coming from. They should not feel the values they hold dear are being abrogated by irresponsible economic decisions made by their Government. Someone needs to point out that it is hard to be in for a dime and in for a dollar when what you are really doing is passing the buck.

We are passing the buck right to our States and our cities. We are forcing them to make the hard decisions we are avoiding. Looking at a State such as New York, we are facing drastic cutbacks. When I talk about the services that will be cut, I am not talking about luxuries. I am talking about taking police off the street. I am talking about closing fire houses. I am talking about increasing tuition so much that some kids are going to have to drop out of college because they and their families will not be able to afford for them to stay.

As we look at what the States and cities of our country are laboring under, how can we in good conscience turn our backs on them? How can we continue to talk about enormous tax cuts that will not stimulate anything except red ink, when we are on the brink of facing perhaps military actions that will require billions upon billions of our dollars?

Our Governor in New York recently announced that the \$2 billion deficit we face this year could grow to \$10 billion next year. The President's tax package basically says: That is your problem, New York; not ours. In all of the counties throughout New York, as in States around the country, every dime of property tax raised in the counties of New York may very well end up going to pay for the Medicaid bills that we have.

Unlike the Federal Government, States have to balance their budgets. They cannot just have a gigantic credit card that runs up the costs and does not really worry about tomorrow. Our States need help. That is one of the reasons why last year I fought for some assistance with the Federal Medicaid matches amounts and today I will again join Senator ROCKEFELLER and Senator COLLINS in introducing a similar proposal that would bring an additional \$20 billion in fiscal relief to States, including \$2.6 billion for New York.

Those are all stopgap measures, because if the President's proposal is enacted, it will have a dramatic ripple effect through the States, because most States tie their tax systems to the Federal system so when a change is made in Washington, where some kind of tax is cut, one can count on revenues being taken away from the States.

The President's package was advertised as costing about \$674 billion. The truer cost is closer to \$900 billion and we are still trying to calculate the real cost.

I am not going to, as some of my colleagues have, talk about the unfairness of the way this tax is configured. I think that pretty much speaks for itself. But I want to say a word about deficits.

I realize there is a new economic team in town and the President's advisers do not think budget deficits are much of a problem. I have to respectfully disagree. I cannot understand how a tax cut that pushes us deeper into long-term debt and raises our current budget deficit is not a values choice. We are choosing to go into debt instead of providing help for the States. We are choosing to run up the deficit and therefore we cannot keep our promises to our children and our schools about funding the education reform we voted for.

Where will we, for example, come up with the money for the promised prescription drug benefit? Where will we come up with the money to keep the lights and the heat on in homes that rely on the low income heating energy program? I do not understand how these are the choices that reflect the values of the vast majority of Americans, and today I raise these issues.

I do not think we should shy away in this Chamber from saying that, yes, the proposal may be bold and it may be big but it is boldly wrong. It takes big steps in exactly the wrong direction from where our country should be headed. We will talk day after day about the real choices, trying to illustrate and contrast the value systems that underlie the economic policies chosen by this administration compared to those that were chosen by the previous administration, because it is imperative that the American public understands this is not just about photo ops. It is not just about speeches and rhetoric. It is not even just about charts. It is about the future of this

country and it is about the billions of individual choices that Americans will be able to make as they seek to demonstrate their own responsible life choices, as they seek to acquire greater opportunity for themselves and their children, and as they seek to contribute to making our country richer, safer, stronger, and smarter in the future.

I yield the floor, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. LEVIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. CRAPO). Without objection, it is so ordered.

#### IRAQ

Mr. LEVIN. Mr. President, as we begin the 108th Congress, I want to talk about the situation in Iraq and our response to it, because I believe there may be a fundamental misunderstanding as to the process that is underway to bring about Iraq's disarmament. Pursuant to U.N. resolution 1441, the U.N. Inspection Commission and the International Atomic Energy Agency are to provide updates to the U.N. on the results of their inspections to date. These updates are intended to be interim reports, not final conclusions. I think we all, particularly the administration and the press, need to be very aware of that fact.

The January 27 report will only be one of a number of such reports that will be presented to the Security Council over the weeks and months to come. It is not a determining date on the issue of whether or not Iraq has materially breached U.N. resolution 1441, or whether we will use force against Iraq. We are not in the fourth quarter of some football game. In fact, we have just begun to share a small quantity of the large amount of information that we have relative to Iraqi suspect sites.

Let us look at the events that led up to the unanimous decision by the United Nations Security Council on November 8 of last year to set up an enhanced inspection regime to afford Iraq an opportunity to comply with its disarmament obligations. Iraq, as we all remember, invaded Kuwait on August 1, 1990. After numerous demands and diplomatic, economic, and political action by the international community, on November 29, 1990, almost 4 months after the attack, the U.N. authorized member states "to use all necessary means" to liberate Kuwait.

Iraq's defeat at the hands of a United States-led coalition in 1991 was followed by a U.N. Security Council resolution in April 1991 that established a number of conditions for a cease fire, notably including a demand for the destruction of Iraq's weapons of mass destruction programs, and Iraq accepted that resolution.

In the intervening years, Iraq repeatedly obstructed and failed to cooperate with the weapons inspectors of the United Nations and of the atomic energy agency that were charged with the responsibility of disarming Iraq.

With this historical background, the Security Council adopted resolution 1441 on November 8 of last year to set up an enhanced inspection regime. Under resolution 1441, Iraq is required to provide the United Nations inspectors and the IAEA "immediate, unimpeded, unconditional, and unrestricted access to any and all areas, including underground areas, facilities, buildings, equipment, records and means of transport which they wish to inspect, as well immediate, unimpeded, unrestricted, and private access to all officials and other persons whom the inspectors of the IAEA wish to interview," and that includes outside of Iraq. Resolution 1441 also requires Iraq to provide a complete, accurate, and full declaration of all aspects of its weapons of mass destruction and delivery systems programs.

In order to assist the U.N. Security Council in its oversight of implementation of Iraq's disarmament, resolution 1441 set out a time line of events. Using November 8, 2000, the date the U.N. Security Council adopted resolution 1441, Iraq was required to accept the resolution within 7 days. It did so. Iraq was required to provide a full declaration of weapons of mass destruction within 30 days of November 8. It said that its declaration was a full one and it did it on the 29th day.

The inspectors were to start within 45 days of November 8; the inspections began on November 25th.

The inspectors were to provide an update on their inspections to the Security Council within 60 days of the date that the inspections commenced. They have announced their intention to provide these first interim progress reports on January 27, within that time limit.

The inspection process was begun with reasonable speed. The inspectors have already inspected a Presidential palace that had heretofore been subject to special rules, and they are inspecting on weekends and holidays. Their principal job right now is to establish a baseline for future inspections and testing Iraq's willingness to cooperate. This is the key, the inspection process is at its beginning. As of the end of December, virtually all of the arms inspections had taken place in the Baghdad area as the U.N. inspectors only had one of its eight helicopters in Iraq and had just opened a headquarters in Mosul in northern Iraq.

Again and most significantly, the United States and other nations with sophisticated intelligence capabilities have only just begun to share intelligence with the arms inspectors and are proceeding cautiously in light of the reported Iraqi infiltration of the inspectors during the 1990s. In fact, today's Washington Post reports that

Secretary of State Powell stated in an interview yesterday that the administration was holding back much of the information in its possession, waiting to see if the inspectors "are able to handle and exploit" the information that we did give them.

The inspection process is estimated to take months, not weeks, and this timetable was understood by the Security Council from its inception. That is why the U.N. resolution refers to the January 27th reports from the inspectors as "updates," and that is why January 27 is not a deadline for deciding whether to use force.

British Foreign Secretary Straw noted on December 19, with respect to the declaration filed by Iraq on its weapons of mass destruction and delivery systems: that ["What we've got today is a further step in a very calm and deliberate process to try by every means possible to get Iraq to comply with its international obligations peacefully and therefore and thereby to resolve this crisis in a peaceful manner."]

In an interview at Crawford, TX, on December 31, President Bush seemed to agree with the British Secretary when he stated that he hoped the Iraqi situation will be resolved peacefully. And in answer to a reporter's question, President Bush said: "You said we're headed to war in Iraq—I don't know why you say that. I hope we're not headed to war in Iraq." On that same day, U.N. Secretary General Kofi Annan said "Obviously they [the inspectors] are carrying out their work and in the meantime Iraq is cooperating and they are able to do their work in an unimpeded manner, therefore I don't see an argument for a military action now." And, in a press conference at the Pentagon just yesterday, Secretary of Defense Rumsfeld said "I don't know why anyone would use the word 'inevitable.' It clearly is not inevitable."

The arms inspections in Iraq are at an early stage. The United States has just begun to provide information to the inspectors about suspect sites. Barring a dramatic development, the interim progress reports that the inspectors will make to the U.N. Security Council on January 27 will only be one of a number of such reports that will be presented to the council over the months to come.

Earlier today, Mohamed ElBaradei, Director General of the IAEA, at a press conference at the United Nations stated "We will provide an update report on the 27th of this month. However, that report, we should emphasize, is an update report, it is not a final report. It's a work in progress. And this simply would register where we are on the 27th of January, but we obviously continue to we'll our work afterward, and we still have a lot of work to do."

In the absence of the U.N. inspectors finding that Iraq currently possesses or is developing weapons of mass destruction or that Iraq is not cooperating with the inspections, we need to give