

more quickly, is pharmaceuticals. Some say we have an overutilization of pharmaceuticals. For many people, particularly the elderly, the cost is extremely high for pharmaceuticals and is unable to be handled by many people. We need to find a better way of distribution, find a better way of using generics, find a better way of examining the pharmaceutical requirements.

We had some meetings. In one case, we had a retired pharmacist take a look at the pharmaceutical needs of the people employed by his former company. He was able to reduce it substantially and still provide the same kind of health care. So there are a lot of things that we can do.

As to jobs and the economy, obviously, nobody is unaware of the fact that we need to do something there. We need to have a program. All we have heard in the last 2 weeks is criticism of the President's economic program. I believe the President has a very well-balanced effort at doing something about the economy. He does something initially with payments, such as child care, reduction of income tax withholding, which would put more dollars in right away. I suppose we can talk about the size of the package because of dividends on some of the payments that are made. But the fact is, it is a balanced program that has initial impact; it has long-term kinds of tax reductions that create jobs.

Now, it is one thing to just sling money out there, which some folks like to do. The real answer is to develop jobs so people have them long term, and that is what it is all about.

On judicial nominations, we are behind from last year. We still haven't organized a committee to do that.

We are faced with lots of opportunities to do some things that need to be done. Yet here we are waiting to begin to move. I think the pressure needs to be on the leadership to resolve this issue and get us into a position to move forward so we can deal—as we are here to do—with the issues before us and resolve many of the questions that are pending.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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 President, I ask unanimous consent the order for the quorum call be rescinded.

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

#### EXTENSION OF MORNING BUSINESS

Mr. McCONNELL. Mr. President, I ask unanimous consent that the time for morning business be extended until 4 p.m. and the time be equally divided in the usual form, with Senators allowed to speak for up to 10 minutes each.

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

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

#### FUNDING GOVERNMENT

Mr. REID. Mr. President, hopefully we will be able to move forward on the most important matter facing the country today, in my opinion, and that is getting something done to be able to fund Government.

As the Democratic leader said earlier today, we all recognize the country is in a deep economic decline. Last month alone we lost over 101,000 jobs as reported by the Department of Labor. As we talked earlier this morning, we need only look at the article in the Wall Street Journal today which is entitled, "Slump in Job Market Is Longest in Decades. Near-term Prospects For Workers Remain Grim."

This is Monday. Thursday is fast approaching, and that is when people are always saying they have to catch a plane. If we cannot complete our business this week and deal with the 11 appropriations bills, we should work next week. The majority leader should tell everybody right now that they should put on hold their business for next week, that this is an important time for the country. With the economy being in the recession and no prospects in the near future of getting out of it, and the only proposal we have coming from the White House is to give more tax cuts to the rich—and from the reports in the press today part of the tax dividends would go to both the President and Vice President in the sums of hundreds of thousands of dollars if this crazy dividend scheme goes through—hopefully we would work through next week, if necessary, to deal with the problems the country faces.

There is no plan for creating jobs. It seems the only answer that comes from the administration to every problem is more tax cuts for the wealthy.

I suggest the absence of a quorum.

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

Mr. HARKIN. Mr. President, I ask unanimous consent to speak as in morning business for up to 30 minutes.

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

Mr. HARKIN. I thank the Chair.

#### THE NATION'S ECONOMY

Mr. HARKIN. Mr. President, last Thursday I spoke at some length about the Nation's economy and pointed out what I thought at that time were some of the deficiencies in the President's plan for economic recovery.

In my remarks on Thursday, in reading them over in the RECORD, I thought maybe I might have been a little harsh; maybe my remarks were a little too pointed in that they referred to the President's economic plan as one that would unduly benefit the wealthiest in our country and that would not do much to really help working Americans.

After reading the newspapers over the weekend, I have come to the conclusion that what I said on Thursday was not nearly as harsh a judgment on the President's economic policy as that of some of our foremost economic thinkers and writers in America today.

So after reading these newspapers this weekend, I thought I would call the attention of my colleagues and others to several articles that appeared on this topic over the weekend, which I think are graphic in their detail and analysis of how awful the President's economic program is, and will be for this country if we enact his latest version.

The first thing I saw was, on Saturday morning, a front-page article that said the economy lost 100,000 jobs in December. The unemployment rate remains at an 8-year high. This was on the front page of the Washington Post on January 11:

U.S. companies shed more than 100,000 jobs last month, reducing payrolls to their lowest level since the recession began in early 2001, while the unemployment rate remained at 6 percent, its eight-year high, the Labor Department reported yesterday.

Again, unemployment is high and continues to get worse. So clearly we have to do something in this country to stem the rising tide of people who are not working.

Looking back a couple of years ago to when the first economic downturn started, when the President put his recovery program into place, in 2001, it is clear it is not working. We are 18 months later and it is not working. It is going in the wrong direction. So do we keep going down that road or do we start to make some changes? That is what we have to do. We have to recognize we are going down the wrong road and we have to make some changes.

The President has now proclaimed his new economic program to build on the misguided one of 2001. This is a David Broder column from Sunday's Washington Post entitled: "It Reeks of Politics." I wondered what he was talking about. I thought maybe he was talking about judicial appointments or something like that—"It Reeks of Politics." No. What Mr. Broder was talking about was the economic program. I will quote some parts of it.

Before the O'Neill talk—

He is talking about a phone call from Paul O'Neill—

I asked one of my favorite Republican economics guides what he thought of the new Bush tax plan. He did not mince words. This man—a veteran of the Nixon and Ford administrations and a friend and adviser to many officials in the Reagan and two Bush administrations—said, “It may be the least defensible policy ever.” I would amend that slightly. It is probably the most ill-considered since Treasury Secretary John Connally persuaded President Nixon to freeze wages and prices in 1971. Like that move—designed to help Nixon’s reelection in 1972, whatever the damaging long-term consequences, this latest pack of proposals reeks of politics. The proposal to eliminate taxes on dividends—the centerpiece of the plan and the source of more than half of its staggering costs—looks like “the wrong reform at the wrong time,” my mentor said.

I ask unanimous consent to have Mr. Broder’s column printed in the RECORD at this point.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Washington Post, Jan. 12, 2003]

IT REEKS OF POLITICS  
(By David S. Broder)

When Commerce Secretary Don Evans phoned me to praise the tax plan announced by President Bush last week—he must have drawn the short straw to have my name on his call list—he assured me that the “bold package” would boost “the general well-being of the people.”

“Nobody wins unless we all win,” the president’s longtime friend said—a sentiment with which I assured him I concurred.

In his next breath, Evans derided the rival Democratic stimulus plan—which would cost one-fifth as much as the \$674 billion, 10-year Bush package—because it relies mainly on a one-time rebate of \$300 to every taxpayer. “One-shot remedies don’t work,” Evans said. “You have to create a feeling of certainty for at least the next 10 years, so businesses and families can plan.”

It was not that long ago that the White House was telling us that the 2001 tax rebate—\$300 for individuals and \$600 for families—had been instrumental in making the recession “the shortest and shallowest in history.” But now, as the president’s re-election approaches and unemployment lingers at uncomfortably high levels, the “certainty” of 2001’s 10-year Bush tax plan is being scrapped by the administration in hopes of pumping the economy before the voters get to the polls.

Is it needed? In his first public appearance since he was fired last month as Treasury secretary, Paul O'Neill told a Sulgrave Club audience the other night that, with the economy growing at a 3 percent annual rate in the first three quarters of 2002, “it is hard to see a need for Keynesian remedies,” i.e., further tax cuts and more stimulus.

Before the O'Neill talk, I asked one of my favorite Republican economics guides what he thought of the new Bush tax plan. He did not mince words. This man—a veteran of the Nixon and Ford administrations and a friend and adviser to many officials in the Reagan and two Bush administrations—said, “it may be the least defensible policy ever.” I would amend that slightly: It is probably the most ill-considered since Treasury Secretary John Connally persuaded President Nixon to freeze wages and prices in 1971.

Like that move—designed to help Nixon’s reelection in 1972, whatever the damaging

long-term consequences—this latest pack of proposals reeks of politics. The proposal to eliminate taxes on dividends—the centerpiece of the plan and the source of more than half its staggering cost—looks like “the wrong reform at the wrong time,” my mentor said.

Eliminating the double taxation of dividends—once on the profits of the corporation and again on the payout to the stockholder—has been discussed in every Republican administration, he said, and considered by some Democratic presidents. It has a sound foundation, because double taxation tilts corporate finance toward borrowing, rather than going into the equity markets. But, he said, business groups and almost all economists agree that the right way to remedy the situation is to make dividend payments deductible for the corporations, as interest payments already are.

Instead of that straightforward policy, the administration chose to lift the tax on dividend recipients—eliminating any direct benefit to the companies—so that Bush could claim, as he did, that this change “is for the good of our senior citizens” who count on dividends to supplement their Social Security.

That argument has gaping holes. As was quickly noted by the accounting industry, the Bush proposal entails complicated calculations for both business and individual taxpayers, adding further complexity to the tax code.

Moreover, it would not affect the mass of dividends that go into the 401(k) plans on which most working Americans depend for additional retirement income. Those dividends are not immediately taxed now, and the taxes due when the money is withdrawn would remain unchanged under the Bush proposal.

According to an analysis by the Urban Institute and the Brookings Institution, 64 percent of the \$364 billion in benefits from dividend tax elimination would go to the top 5 percent of taxpayers, the same people who are the main beneficiaries of the Bush tax cuts of 2001.

Over time, eliminating this tax would likely deepen the growing budget deficits. The first round of Bush tax cuts will cost more than \$1.3 trillion in revenue over 10 years. This package pushes the costs to the \$2 trillion level—even as the demands of homeland defense, the war on terrorism and a possible attack on Iraq add to spending pressures.

But none of this is likely to deter Bush. His arguments are flexible, but the policy is constant: Keep cutting taxes from the top down.

Mr. HARKIN, Mr. Rove and the political advisers to the President may think it is good politics, but it is terribly damaging to our economy. Again, I refer to some Republicans in this Congress and in this administration who support this plan, and I said they should properly be called “red ink Republicans” because they seem to have absolutely no concern about pushing plans that will skyrocket the deficit and the national debt.

Mr. Broder goes on in the last couple of paragraphs to point out:

Over time, eliminating this tax—

The dividend tax—

would likely deepen the growing budget deficits. The first round of Bush tax cuts will cost more than \$1.3 trillion in revenue over 10 years. This package—

This new package—

pushes the costs to the \$2 trillion level—even as the demands of homeland defense, the war

on terrorism and a possible attack on Iraq add to spending pressures. But none of this is likely to deter Bush. His arguments are flexible, but the policy is constant: Keep cutting taxes from the top down.

Now we are talking about more than \$2 trillion in deficits. I guess the times have changed. Former Senator Everett Dirksen of Illinois once said: A billion here and a billion there, and pretty soon you are talking about real money. We have to revise that. Now it is a trillion here and a trillion there and pretty soon you are talking about real money. And, that is before we add huge additional sums in interest to be paid on the debt.

We have considerable needs that we have to meet domestically: Homeland defense, a possible war with Iraq—I hope not—a huge unfunded mandate on local schools called Leave No Child Behind, which is underfunded; special education, totally underfunded. These last two items, the cost of special education, the cost of all the testing and everything to leave no child behind, they mean higher property taxes at the local level, which is harder on the middle class than the tax on corporate dividends.

If we do not meet our obligations at the Federal level on special education and meet other education needs like the unfunded mandate of Leave No Child Behind, that means the States and local communities will have to do it. They will raise property taxes. That hits the middle class a lot harder than the tax on dividends.

Of course, towards the end of the decade we will have the retirement of the baby boomers coming. Then where will the money be to fix Social Security and Medicare? We will be so far in the hole at that time maybe then that dream will come true of those who want to privatize Social Security. Maybe that is what it is all about at the end of this decade.

So the reading this weekend was not too good, not promotive of the President’s policies. There were a lot of warning shots heard. There was another article in the Sunday Washington Post, “A Tax Plan That Will Pay Few Dividends.” The article was written by Reuven S. Avi-Yonah, the Irwin I. Cohn Professor of Law at the University of Michigan, and David S. Miller who is a tax lawyer in Manhattan. I don’t know either one of these individuals. Reading their article is a clear warning to those in Congress that if the President will not cease and desist from this ill-considered tax scheme of his to cut taxes on dividends, then we in the Senate must hold up the stop sign and say no. This article, “A Tax Plan That Will Pay Few Dividends,” is alarming in how it paints the future of what happens if we go down that path:

So the portrayal of the double tax on dividends as evil is more fiction than fact. Dividend exclusion is unlikely to have the desired effect of lifting the stock market, and the administration’s proposal won’t really cure the woes of our corporate tax system.

Instead, it raises serious issues. First, if the measure does encourage individuals to

shift investments from taxable bonds into more risky tax-free dividend-paying stocks, the investing public will be less diversified and less cushioned for the next stock market downturn. And if the proposal succeeds in increasing dividend rates, corporations might borrow more to pay higher yields, making balance sheets all the more shaky.

And fourth, the exclusion will benefit the wealthy. The Urban-Brookings Tax Policy Center estimates that the wealthiest 1 percent of all taxpayers could capture as much as 42 percent of the benefits of a dividend exclusion. This "tax cut" won't put any more money in the hands of working Americans.

But we are certain of one thing: Excluding dividends from taxation will create opportunities for new tax shelters. There will be tax shelters that permit corporations to artificially manufacture dividends for shareholders and shelters that permit shareholders to receive tax-exempt dividends without economically "owning" any of the underlying stock. Each of these shelters is easy to develop under current law.

If history is any guide, Congress will respond by enacting new rules to stop taxpayers from abusing the exclusion. Given the IRS's recent track record, these anti-abuse rules will run to hundreds of pages, few cheats will ever be caught, those cases will take years to litigate and ultimately the anti-abuse rules will prove ineffective.

Then this morning, I listened to NPR and I obtained a transcription. This was "Morning Edition" on National Public Radio. Bob Edwards was host in the first of a series of commentaries about the Bush economic plan. Commentator Kevin Phillips says:

The White House proposal to eliminate taxes on dividends will increase debate over class warfare in the U.S. economic policy.

Then Kevin Phillips came on, and he said:

Over the last two decades, the Republicans in Washington have been quick to charge class warfare when the Democrats complain that this or that tax or economic proposal gives too much to the American rich. By this the Democrats usually mean the top 1 percent income group. It's been a good GOP strategy, and sometimes it has worked when Democratic debaters have backed off. But this time, with the administration's proposal to allocate more than half of a \$674 billion economic stimulus program to tax relief for stock dividends, the whole class warfare issue was riding a giant boomerang.

The Democrats say, and they're quite right, that what the administration is doing is in itself class warfare; high-income policy makeovers are short-changing the other income groups. The top 1 percent of Americans alone hold some 40 percent of the individually owned stock in the United States, and they also get about that same 40 percent ratio of dividends paid out. Given all the concern in the White House and elsewhere about pumping support into a weak economy, this proposal is really mind-blowing, not just for its contents, but for its lack of stimulus. Republican Senator John McCain had called for payroll tax relief.

Well, so have I. Last Thursday I said what we ought to be calling for is a payroll tax holiday with the trust funds fully reimbursed through the general fund for perhaps four months and put the money where it really needs to go.

But not George Bush. The congressional leadership in the White House are so wedded to an economic policy keyed to helping those

at the top that they lined up behind what is really a program to make stock dividends into a 10-year, \$300 billion individual income tax shelter. This isn't just trickle-down economics. The benefits to the rest of the economy, even to the stock market, are so conjectural that trickle-down looks to become misting down.

That is Kevin Phillips; with long Republican credentials.

I say to my friend from Nevada, after the trickle-down economics of the 1980s, one of my constituents came up to me in Iowa and said: I heard all about the trickle-down, I have not even had any drops on me. I would just settle for a heavy dew. That is what Kevin Phillips said we might get out of this: Maybe a heavy dew.

I yield to the Senator from Nevada.

Mr. REID. I heard the Senator speaking and wanted to congratulate the Senator. I listened also to Kevin Phillips' presentation. By the way, Kevin Phillips is a Republican, not a Democrat. But he was fair in his analysis. Quite clearly, all economists that I know, unless they work at 1600 Pennsylvania Avenue, say this tax plan is bizarre. Crazy.

The Senator is aware, is he not, that not only do we have this tax plan that is floating around, that is going to be very harmful short term and disastrous long term, the Senator is aware that the Wall Street Journal, which is also not a piece put out by the Democratic Party, said today, on page 2: "Slump in Job Market is Longest in Decades." And near-term prospects for workers remain grim?

Is the Senator aware that is in the Wall Street Journal today?

Mr. HARKIN. I was so depressed after reading the newspapers this weekend, I didn't pick up the Wall Street Journal this morning. I guess I could get depressed further reading that.

Mr. REID. This article points out, among other things, last month this economy lost over 101,000 jobs. I know this because I was on a television program with Tim Russert. He had a chart demonstrating all the Presidents of the United States going back to Truman. Every President created jobs—Nixon, Truman, Eisenhower, all of them except George W. Bush. That chart shows the only President that has not created jobs, George W. Bush, and, in fact, he has lost 2.5 million jobs.

Is the Senator aware of that?

Mr. HARKIN. I was not. I was aware of the fact we lost 100,000 jobs in December. It was Christmas. Imagine, at Christmas, to have 100,000 jobs lost. I also know we are at the highest unemployment level in over 8 years.

Mr. REID. The Senator is right. The Senator is absolutely right.

Also, this article in the Wall Street Journal has a number of graphs and charts, but one of the things that just jumped out at me is the levels of unemployment of certain segments of our economy, certain demographic segments. It just jumps out.

Teenagers, of course, a lot of them are unemployed, and they want to

work. But for African-American teenagers the unemployment rate is over 33 percent. It has gone up. From last year to this year, it has gone up 3 percent. These are kids who want to work.

Mr. HARKIN. That is right.

Mr. REID. There are no jobs for them.

Mr. HARKIN. Then we wonder why kids in the cities are hanging around the streets and get into drug, joining gangs and things like that. They need jobs. They need to be put to work.

Mr. REID. I say to my friend, the distinguished Senator from Iowa, I was on a talk radio program this morning in Las Vegas—conservative. One of the things I have advocated is that the Federal Government should spend money creating jobs, infrastructure. I know in Iowa there are water systems that need to be worked on, sewer systems that need to be repaired and enlarged, highways, bridges, dams that need to be worked on.

Mr. HARKIN. Schools.

Mr. REID. And school repairs. This is a conservative program. They brought it up.

They said: I understand you want to have jobs and spend taxpayers' money on creating jobs.

I said: Yes, I do.

They said: Wouldn't the private sector be better off creating those jobs?

I said: Wait just a second. You understand the private sector is the one that is going to be conducting the work.

Mr. HARKIN. That is true.

Mr. REID. It is no Government giveaway. These are projects that need to be done, roads that need to be built, dams that need to be repaired.

Mr. HARKIN. That is right.

Mr. REID. I think we had a good discussion on this conservative radio program. I hope I educated them and their listeners because I said, among other things, that for every \$1 billion we spend, we create 42,000 or 44,000 jobs. Think about that. These are good jobs, people who are paying taxes, they are buying refrigerators and cars.

We have this backwards. We are trying to help the wrong people, to create this windfall to the very wealthy in this scheme. There is no better place to start than the President and the Vice President. Is the Senator aware that the President of the United States and the Vice President of the United States would benefit significantly from this dividend scheme? In fact, between the two of them, the benefits would be over \$400,000 a year.

Mr. HARKIN. A huge benefit.

Mr. REID. Don't we have this backwards? Wouldn't it be better if we were creating jobs rather than cutting taxes for the wealthy?

Mr. HARKIN. I say to my friend from Nevada, the assistant minority leader: You are thinking too rationally. You are just thinking too rationally. Evidently what is happening down there at the White House is they want to think irrationally. But we have to stand up and we have to think along the lines

the Senator is talking about here right now.

The Senator put his finger on it. I have been somewhat successful in the last few years, getting some money in my State for rebuilding and modernizing schools all over the State of Iowa. I visited—not all of them, I visited a number of them: new classrooms, getting new technology in.

I visited one school that just started up this fall, and one of the workers there, one of the brick masons, saw me outside. He said: I understand you helped get some Federal money to get this going, get this school improved.

I said yes.

He said: I want to thank you. It put food on my family's table for months, working on that school.

To answer this sort of statement the Senator made earlier about: Well, these are government jobs; wouldn't the private sector be better?—all the jobs done on that school were done in the private sector: private contractors, private electricians. They buy all the stuff from the private sector. So the ripple effect in the economy was tremendous.

That is why the Senator has put his finger on it. There are so many unmet needs in this country. I focus on schools a lot. I think the recent estimate is somewhere in the neighborhood of \$189 billion, I believe—I could be off some—just to bring all our public schools up to modern-day standards; in other words, to give them the heating and the air-conditioning, the lighting, fire standards, the Internet hookups—just making them modern. What an unmet need out there.

What if we were to do that? Think of the jobs we would create. One thing I might also say to my friend from Nevada: Just think, not only do you get the jobs' ripple effect in the economy, but when it is over with, you have something that lasts a long time. You have new schools.

Mr. REID. I say to my friend, the distinguished Senator from Iowa, I traveled to one of Nevada's schools fairly recently, Boulder City High School. It is an old school now. It is an old high school. It is hard for me to comprehend Boulder City having an old high school, but they do. The average school in America is 45 years old. The average school—think of that—is 45 years old. Schools need to be refurbished and rebuilt. Boulder City is kind of unusual in Clark County, in Nevada, because most of our schools there are new. We hold the record. We dedicated 18 new schools in 1 year in the Clark County School District.

So certainly the Senator is right. But I wanted to say this about the thing the Senator mentioned, and Kevin Phillips was mentioned, and he talked about class warfare. They believe the best defense is a good offense. So they have been whacking away at us since they introduced this ridiculous tax plan. They have been whacking away at us saying: They, the Democrats, are

trying to create class warfare. We are not doing it. They have been doing it with their ridiculous tax plan.

I have nothing against rich people. I wish them well if they can make a lot of money and be rich. But they have created that, that the very wealthy are going to get tax benefits from this plan and the middle class and the poor get nothing.

Mr. HARKIN. That is right.

Mr. REID. Almost literally nothing. We are only bringing out facts and talking about the reality of this tax plan. We are not trying to create class warfare.

That is why the Wall Street Journal writes about this:

Slump in Job Market Is Longest in Decades.

We are not doing that. That is a fact of life.

Mr. HARKIN. I say to my friend from Nevada, I got depressed reading the weekend newspapers. Here is one in the Business section of the Sunday Washington Post, apropos of what you are just talking about here, about whom this is benefitting. The headline:

Some CEOs Would See a Windfall.

They have a nice little 1040 Tax Code wrapped up as a nice package here.

It says here:

... some of the biggest potential winners under the Bush plan would be top executives at dividend-paying companies who own big blocks of their firm's shares.

Walt Disney Co.'s Michael D. Eisner, for instance, owns about 14 million company shares, a spokesman said. Disney announced an annual dividend of 21 cents this month, which adds up to about \$2.9 million for Eisner. Under the current tax code, assuming Eisner is in the highest personal income tax bracket, the Disney chairman and CEO would pay about \$1.3 million in state and federal taxes on that amount, according to a tax expert at a major accounting firm. Under the Bush plan, he might pay nothing on that portion of his income.

It went on. There were some other ones here that they mentioned. Sanford Weil, who owns 22.8 million shares, would save as much as \$6.9 million in taxes.

Mr. REID. This is per year. This is not over a lifetime; this is per year.

Mr. HARKIN. This is for 1 year. I am sorry. I thank the Senator for pointing that out. It is not a lifetime sum. It might be repeated year after year.

Douglas Daft owns 2.5 million shares in Coca-Cola. He is chief executive. Coke paid 80 cents a share in dividends. Under the Bush plan, he would save about \$875,000 in taxes.

These are all, I am sure, fine individuals. They have done a lot. They have invested in America, helped build big corporations. They are CEOs. I have nothing against them, as the Senator said. I have nothing against them. They are likely to be fine people. But does that mean what we are going to do now is take the Tax Code and give them even more wealth, as the Senator said, when we have 100,000 people in December out of work and we have so many unmet needs in this country? This is a cockamamie scheme.

My friend from South Carolina, who sits across the aisle from me, Senator HOLLINGS, once said this came about after Charles Schwab went down to the Texas ranch—I guess in December or sometime like that—and had a little bite to eat and a little refreshment with the President. And Schwab evidently said: This is a good idea. And the President said: It sounds good to me. Let's do it.

Mr. REID. Will the Senator yield?

Mr. HARKIN. I would be happy to yield.

Mr. REID. Last week I called someone the Senator from Iowa knows. He is a very strong businessman. I don't want to embarrass him. It was a private telephone call.

I said: Tell me what you think about this tax thing. He said: It is crazy. He would benefit from it. He said: It is crazy. There are too many things that need to be done.

I said: Would you come down and join with us and say something publicly about this? He said: I have a lot of government contracts, and I am afraid I would be punished if I did something like that.

He is not kidding. He has a lot of government contracts. The people from 16th and Pennsylvania Avenue and all people in the Cabinet have some influence over who gets contracts and how they keep them.

I would also say this is in support of and in commendation for rich people in America. I have, as does the Senator from Iowa, some rich friends. I have not had a single person from Nevada call me about this goofy scheme. I haven't had a single Nevadan call me. They know me well. If they liked this program, they would call me.

There have been other tax proposals from the White House—in the Clinton administration and in this administration—that I got calls on saying either do it or not do it. I haven't received a single call from my wealthy Nevada friends, or from wealthy Nevadans who may not be my friends, I haven't had anybody call me and say: Reid, I want you to support this. This is important to me.

I don't think they could do it with a straight face.

Could Michael Eisner support what is happening? Knowing all of the charitable things the Disney corporation is involved in, he couldn't possibly want more money for himself personally and another \$2 million a year when he makes these multimillions. He knows this should go toward some of the public service things that need to be done and some of the health things that need to be done—the terrible battle we are fighting in the United States with AIDS and the like. I have to acknowledge and applaud wealthy Americans because they are not out clamoring for this to be done.

Mr. HARKIN. I agree with my friend. I have had not a single call either. I have often said there is nothing wrong with being rich in America. There is

nothing wrong with having a nicer home and a nicer car, or a nicer lifestyle, as long as you have done it honestly and forthrightly. And most wealthy people have done it that way. There is nothing wrong with that. But I think the obligation that we have in government is to make sure we leave the ladder down for others to climb.

What the Bush administration seems to be saying is: You have a lot of money, you have made all this money, and you can pull the ladder up behind you. And guess what. We are going to help you pull the ladder up behind you.

That is not my idea of what America is about. America is about fairness and equity and giving the kids from Searchlight, NV, or Cumming, IA, that same opportunity to get a great education, to be healthy, to have a piece of that American dream, and to have that opportunity. But the more we concentrate wealth in the hands of a few people and then use the Government to ensure that they not only keep it to get wealthy, the more we are taking that American dream from those kids in Searchlight, NV, and Cumming, IA.

Mr. REID. If the Senator will yield, I want to say a word, if I may, before the Senator from Rhode Island, who is the Presiding Officer, leaves the Chamber.

The junior Senator from Rhode Island I think set a mark for people on the other side of the aisle when he was the first to come out against this proposal. That is the way I heard it. I read in the paper that the Senator from Rhode Island opposes this, and as a result of his doing this, there have been several other Republican Senators who followed. Before he leaves the floor, I want to express my appreciation for the courage of the Senator from Rhode Island in coming out against this program.

Mr. HARKIN. I would add my commendations also to my good friend, the Senator from Rhode Island, for his forthrightness in coming out as he did. I appreciate that.

Mr. REID. I have taken so much of the Senator's time.

The PRESIDING OFFICER (Mr. COLEMAN). The Senator's time has expired.

Mr. HARKIN. Mr. President, I ask unanimous consent for 15 additional minutes.

Mr. REID. Mr. President, I apologize for using so much of the Senator's time.

Mr. HARKIN. It is a good exchange. I appreciate it.

Mr. REID. I will say this last thing. I hope that we, the Democrats, and those courageous Republicans who oppose this don't fall for some compromise. I hope they don't come back and say: Well, we will not do away with all of that, but we will do such and such.

We have to recognize this for what it is. It is a bad program. We are broke as a country, and in the 2 years of this Bush administration they have ruined the economy. During the last 3 years of

the Clinton administration we were taking in more money than we were spending.

Mr. HARKIN. There was a surplus.

Mr. REID. It is remarkable. We were paying down the surplus. They have wasted the largest surplus that we were able to acquire. It is a terrible shame. I hope we don't have some cockamamie compromise where people walk out here and say: Well, it is not as bad as it could have been. We should recognize this for what it is and not compromise. We don't want it.

That is how I think we should move forward.

Mr. HARKIN. Here is the chart that illustrates it. Here we are, starting in, in 1981, with the first Reagan tax program. Look at what happened to the deficit. It went down and down until finally we had the 1993 plan when we started to reinvest in America and get our economy back on track. Look at what happened. Look at this. It is a steady climb up for 8 straight years to one of the largest surpluses we have ever had in America.

Then, in 2001, the administration couldn't stand that we were getting out of debt. There were actually too much surplus for them. We were paying down national debt for future generations. This is the 2001 tax bill. Look at what happened—right back down where we started. Now we are back down in the hole again in the deficit. If that isn't enough, they want to add even more—taking more money out with this new cockamamie scheme of theirs to take it away with a tax dividend.

Mr. REID. I only point out one thing. In the Senator's last statement, he said it was one of the largest surpluses in the history of this country. It was the largest surplus in the history of this country.

Mr. HARKIN. This is the largest surplus on record. Exactly.

Mr. REID. I appreciate the Senator for allowing me to interrupt. I appreciate the Senator very much for allowing me to have a few words on the floor.

Mr. HARKIN. I thank my friend for his keen insight into the economics of this country and this tax bill and how bad it really is.

I close by saying again that we have to kind of look at the past and take some instruction from what happened. If you look at unemployment rates, when the 1981 tax bill was passed, the unemployment rate was 7.4 percent. Eighteen months later, it went from 7.4 to 10.3 percent. When the 2001 tax bill was passed, unemployment was 4.5 percent. Now it is 6 percent. Now we have this coming in. Now in 1993, the blue line shows what we did. The unemployment rate went down. When it passed in 1993, the unemployment rate was 6.8 percent, 18 months later it was down to 5.4 percent and eventually it dropped to 4 percent. All of the red ink Republicans said how it would be so terrible for the economy. But, after the 1993 tax bill where the wealthy did see some

real tax increases, the economy boomed. The deficits turned into surpluses. And we created a huge number of jobs. Again, we ought to be instructed by that and know the fact that the President's tax cut will not only plunge us further into deficit spending but it will not help increase employment. It will provide for one of the unfairest distributions of income in our country.

For example, the 100-percent reduction in dividend rates provides, for those making more than \$1 million a year, an \$88,000 tax cut—an \$88,000 tax cut. And the average Iowan, making between \$20,000 and \$30,000, would get \$204 in 2003.

But that is just the beginning. When you look at the outyears, it gets worse. By 2010, for the average Iowan, making \$20,000 to \$30,000, they might get maybe \$25. For those making \$40,000 to \$50,000, they would get about \$84. But if you made over \$1 million a year, you would get \$27,000 in tax benefits in the year 2010.

I believe it was former OMB Director David Stockman back in 1981, who called the Reagan tax cut—the trickle-down tax cut—he called it a “riverboat gamble.” And that is exactly what it was: a riverboat gamble. And we lost in terms of deficits and unemployment. We got it back on track in the 1990s, but here we are back again.

Well, Mr. President, a “riverboat gamble,” “trickle-down economics”—whatever you call it—I call it “go-go economics”: Don't think about the future. Live for today. And, by all means, whatever may help you politically, whatever will help ensure your reelection, do that, and forget about what comes after.

That is what this program is. Because it is designed, basically, to help those who will give the most out of their pockets to reelect this Republican President: the richest people in this country. And, of course, we just had campaign finance reform, so to speak. And what did it do? It doubled the amount of money that a person can give to a Federal candidate—doubled it.

So I believe President Bush, when he was a candidate, if I am not mistaken, raised over \$100 million—with those \$1,000 contributions. Well, now that doubles and with a primary and general combined, it adds up to \$4,000. So it just goes back to the same people. Plus they give more money in other ways. So I guess what this is: rewarding your friends. I understand that politically he rewards your friends. But in this case it is hurting our whole economy by him rewarding his few rich friends at the top.

As my friend from Nevada said—and I share this with him—I have not spoken with one wealthy person in Iowa or anywhere who called me saying this is the best thing to do. Not one. In fact, I think most of them are even embarrassed by President Bush's proposal.

So the best thing, I think, is for the President to recognize this was a bad

piece of advice he got. I think one of the marks of leadership is to recognize when you are wrong and to rectify it. If you want to give the economy a shot in the arm right now, and give our bond markets a shot in the arm, I think the best thing the President can do is say he is scrapping this whole deal.

Then what we need is a payroll tax holiday, paid through the general fund to put money in the hands of working people, many of whom do not even pay income taxes. But they are working, and they are raising families, and they are paying every last penny of payroll taxes. Many of these people did not get anything out of the 2001 tax plan. These are people who need some help. I will be talking more next week and in the days to come about my concept of a payroll tax holiday that would extend for a few months, and which could be adjusted after that depending upon what the economy is doing at that time.

It would be a lot cheaper than what the President is proposing, No. 1. No. 2, it would give an immediate stimulus to the economy. Third, it is fair because it puts the money down at the bottom where it is needed. As we know in Iowa, and as I am sure they know in Minnesota, you don't fertilize a tree from the top down. You have to put it in at the roots and let it grow. That is what a payroll tax holiday would do. That would give us our short-term stimulus.

Then—exactly what Senator REID was talking about—let's invest in rebuilding and modernizing schools. Drive the interstates someday and have your car beaten to death. That interstate highway system is now almost 50 years—a half a century—old. It needs to be rebuilt. These are things that need to be done in investment in the future of this country that puts people to work. That is the kind of job growth we need in this country. And all those jobs are not done by the Government. They will all be done by the private contractors.

So I hope the President will recognize the bad advice he got, will say he is scrapping this plan, and then come down and work with all of us. There are bipartisan things we can do here—I am convinced of it—bipartisan things we can do that will be both a short-term stimulus, that will not inure huge deficits in the outyears, and there are long-term things we can do to put people back to work that will benefit this country.

I call upon all my friends on the other side of the aisle who are not "red ink" Republicans to join in this effort and to recognize the future of this country is not more red ink and more red ink and more red ink, but it is getting this country out of the hole, paying off the deficits, and getting back to a surplus once again.

Mr. President, I look forward to working in a bipartisan fashion towards this end. But the lead has to come from the President. As long as he pushes that dividend tax scheme of his,

well, then we are going to be kind of blocked from doing anything here. So I hope the President will scrap it, call us together, and let's work out a bipartisan plan to get this country moving again.

I thank the Presiding Officer for his indulgence. I yield the floor.

The PRESIDING OFFICER. The Senator from Texas.

#### REORGANIZATION OF THE SENATE

Mrs. HUTCHISON. Mr. President, I am very pleased to see the person presiding in the chair and welcome him to the Senate.

I am looking at an empty Chamber except for Senator HARKIN, who is just leaving. It is incredible to understand that the Senate was sworn in on January 7, and yet today we sit in the Chamber having transacted no business except for the extension of unemployment benefits which was done by unanimous consent because it didn't have to go through a committee.

Why, one may ask, would something only be able to pass that didn't have to go through committee? Well, the answer is, because we don't have any committees. The Senate has not been able to reorganize since January 7 because we cannot get an agreement. We have not been able to organize our committees because the Democrats have been unwilling to come to an agreement that would be a fair allocation of resources and that would allow us to go forward.

A lot of people in the country don't realize that the Senate is in an absolute stalemate because we do not have Republican chairmen, even though the Republicans control the Senate. There are eight new Members of the Senate, and none of them have been appointed to a committee—not one—because we don't have an organization resolution.

I do not think that is what the people of America said last November when they went to the polls. They voted on Senators, and they voted to give Republicans a 51-to-49 vote count in the Senate.

Any person who follows this would imagine that everyone would understand that there has been a change of control, and they would have expected us to be up and open for business, with committees meeting and doing the business of the people. That is what was said by the people who went to the polls in November and made their decisions on who would represent them in the Senate.

I am very pleased that our new Members have been sworn in. It is little enough to ask, I would say. But to think that they have not been able to even go to a committee meeting yet is unconscionable. A lot of people have not realized that this is going on because we have tried to negotiate in good faith, and Senator FRIST is doing that as we speak. Hopefully Senator DASCHLE is doing the same.

I don't think we can wait another week before we start confirming some

of these judges who have been sitting unconfirmed since May of 2001 or even unable to have their nominations acted on.

We were ready to hit the ground running. The Judiciary Committee chairman wanted to start the process so the President would have his constitutional right to appoint and have confirmed or turned down his nominees to the Federal bench. He has had neither. We were ready to go. What has happened? The Judiciary Committee cannot meet because Senator HATCH has not been installed as chairman because we don't have an organization resolution.

We had hoped to pass the appropriations bills that had been lingering since last Congress. We had only passed the Defense and military construction appropriations so all of the other Departments of Government have not yet been funded except in a continuing resolution, an omnibus bill that just says we will go on with 2002 levels of spending, but we don't have any allocations because the Appropriations Committee has not been able to meet. The appointments have not even been formalized yet.

I do not think that is what the people of America expected when they voted last November to put a Republican majority in the Senate. They expected us to start appropriations bills. They expected us to confirm the judges that had been sitting in the pipeline since 2001.

The President of the United States has a constitutional responsibility to appoint judges, and he has the constitutional right to have those judges acted on by the Senate. Yet we have people whose lives have been disrupted because they have been appointed to the Federal bench, sitting there for 1 year, 2 years with their lives interrupted. They are unable to have Senate confirmation or turnaround.

The Senate has the absolute right to make the decision, but it has the responsibility to go forward and let these people know if the President is going to get his appointment through or if these people can go on with their lives.

I hope the President gets all of his appointments. He has been very careful in making his appointments. But all of them have a right to action, and the President, most of all, has a right for the Senate to take the very serious responsibility of confirming nominees.

We have appropriations bills. We have Departments of Government that have no specific authorizations because we have only acted in a general way, saying whatever you had in 2002, you may keep until we can exercise our responsibility to pass the appropriations bills, which we have not done since the end of the fiscal year October 1, 2002. These agencies deserve to know what Congress intends for them to do this year and how much money they have to spend.

This is not the way to run the Government. It is not responsible for us to