

and his family all the best in the years ahead.

THE IRAQI INTERIM CONSTITUTION

Mr. FRIST. Mr. President, we are now on the resolution and the two managers are gathering now to start that debate. In the interim period, I wish to make another comment that has to do with a truly historic occurrence in Iraq.

Today is a historic day for the Iraqi people. Today, the Iraq Governing Council will formally sign an interim constitution that represents one of the most liberal and democratic governing documents in the Arab world. It is a historic day for the entire Arab world.

The new Iraqi Constitution is a monumental achievement. I applaud the courage and the foresight of Iraq's leaders to seize this historic opportunity before them and to work together to forge a framework for freedom that reflects the aspirations and God-given rights of every single Iraqi citizen.

After 35 years of torment and oppression by an evil and dictatorial regime, Iraq is finally emerging from the shadows and becoming a democratic nation by and for the people. Remember, the people of Iraq just 1 year ago were ruled by a tyrant who worshipped Hitler and Stalin, two of the 20th century's most prolific mass murderers—just a year ago.

Iraq is emerging from a terrible history, and the Iraqi people deserve our highest praise for their ability to set aside recriminations and to set aside old ethnic conflicts, to confront their fears and overcome mistrust in order to embrace the future. It is my sincere hope that others in the region and around the world will take heart at Iraq's extraordinary progress and that this fledgling nation will one day soon become a beacon of freedom for all.

The new interim constitution is rightly a document of principles. It guarantees freedom of expression, freedom of assembly, privacy, thought, conscience, religious belief, and due process. It protects women, ethnic and religious minorities, and strives to balance regional and national imperatives.

No longer will the Iraqi people have to fear secret police, government abductions, torture, or arbitrary imprisonment. No more mass graves, no more child prisons, no more forced confessions or mass executions.

I have great hopes for Iraq. Like President Bush, I believe all people are capable and deserving of a democratic government. That is because I believe, like President Bush, freedom is an inherent right, not a privilege to be dispensed by pundits or politicians. Securing freedom in Iraq, as we all know, will be hard. The continuing vicious bombings against innocent Iraqis demonstrate that we are up against determined and evil forces. My heart goes out to those victims and to those families.

We know from our own 9/11 how truly devastating these acts of evil are to the immediate victims and to the nation that is forced to watch, helpless, in horror. But I have faith that the Iraqi people will persevere. We will not allow our enemies to divide us. We will stand together as two free nations. We will defeat the forces of terror and the Iraqi people will live in peace and freedom.

RESERVATION OF LEADER TIME

The PRESIDENT pro tempore. Under the previous order, the leadership time is reserved.

CONGRESSIONAL BUDGET FOR THE UNITED STATES GOVERNMENT FOR FISCAL YEAR 2005

The PRESIDENT pro tempore. Under the previous order, the Senate will proceed to the consideration of S. Con. Res. 95, which the clerk will report.

The assistant legislative clerk read as follows:

A concurrent resolution (S. Con. Res. 95) setting forth for the congressional budget for the United States Government for fiscal year 2005 and including the appropriate budgetary levels for fiscal years 2006 through 2009.

The Senate proceeded to consider the concurrent resolution.

The PRESIDENT pro tempore. The chairman of the committee, the Senator from Oklahoma, is recognized.

Mr. NICKLES. Mr. President, I ask unanimous consent that the presence and use of small electronic calculators be permitted on the floor during Senate consideration of the fiscal year 2005 concurrent resolution on the budget.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. NICKLES. I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. NICKLES. Mr. President, as we begin consideration of the budget resolution, I want to urge our colleagues to be prepared for a long, busy week. Under the rules of budget law, we have 50 hours on the resolution. Last year I am not sure how many hours we had, but it was a lot more than 50. I believe we had 81 rollcall votes. It was a very difficult and long week. It was actually longer than a week. It spilled over into 2 weeks.

It is our intention to finish this week. That is going to take the cooperation of all Members. The majority leader already announced for Members to expect long nights, long days, and a lot of votes. I urge our colleagues to be prepared for a long week. Please don't come up and say, I have a plane reservation at 3 o'clock. I don't think you can count on that. I think you have to

assume you are going to be here for very long evenings during long days—especially on Wednesday, Thursday, and Friday—until we conclude this resolution. I want to make sure that is known.

Saying that, I urge colleagues to work with my friend and colleague, Senator CONRAD, and myself. If you have amendments, please present them to us. Give us time to consider them. Maybe we can accept them; maybe we can't; maybe they will have to be objected to. But at least give us a chance to review the amendments.

Last year we ended up in a very demeaning process. We called it a vote-arama. But we had a lot of votes that were on sincere issues that were considered with very little debate. I would like to—one of the little legacy things—change the way we manage Senate budget resolutions. By saying that, I would like to avoid the vote-arama, or at least minimize it, and maybe have a certain number of votes on each side. Sometimes last year we voted on the same thing several times. I don't think that helps the Senate. I want us to represent the Senate very well.

I want to warn our colleagues to expect a long week. Hopefully we will conclude. I would love to have it concluded Thursday night. I doubt that will happen. But we will work aggressively with all of our colleagues. And when we get into votes, we are going to be very pushy on trying to limit the time on those votes.

I am just making mention of a couple of those things to let colleagues know they should expect a long week and late nights. It may be that Senator CONRAD and those who are proposing amendments will work late and we will stack votes for the next morning. That might be my preference. But I will work with Senator CONRAD, who is a very good friend and manager on the minority side, on this difficult challenge of passing a budget.

Again, we have the budget resolution before us. I will be talking about that momentarily. It cuts the deficit in half. Actually, we cut it in half over 3 years. The deficits are far too high. Having \$500 billion deficits is not acceptable to this Senator, nor do I think it is acceptable to anybody. We charted a path to bring it down and bring it down rather abruptly. It will take the cooperation of all people to conclude this week, and also to make that happen. That is not easy easily done.

Again, I urge the cooperation of all of our colleagues and look forward to working with my colleague, Senator CONRAD, for the remainder of this week.

I yield the floor.

The PRESIDING OFFICER (Mrs. DOLE). The Senator from North Dakota.

Mr. CONRAD. Thank you, Madam President.

I join the chairman of the committee in reminding our colleagues that this

will be a long week with many amendments. I am very hopeful that we on our side can find a way to get more amendments considered on the front end more quickly—the chairman and I discussed this and I think we are of like minds on this—rather than having a big crush at the end. Maybe if we spent less time on amendments on the front end and more votes on the front end we could eliminate some of that gridlock at the end. I think the chairman is entirely correct. That would be good for the Senate. It would be good for the disposition of these amendments and a better way to reach a conclusion.

The President has sent us a budget. I want to talk about that in part and then later on to talk about the chairman's mark.

First of all, I want to discuss the budget the President sent to the Congress. In the President's budget, it spends \$991,000 a minute more than it takes in. That is truly a stunning statistic. Every minute, under the President's plan, this country spends \$991,000 more than it takes in.

In 2001, the President told us:

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.

That is what he told us in 2001.

Let us look at the result. We have seen the deficits absolutely skyrocketing. Here we are back in 2001, and we are still in the black. But look at where we have gone. So the President was wrong when he asserted that.

A year after the President's first budget, he said to us:

... [O]ur budget will run a deficit that will be small and short term.

This is after we saw a return of deficits which the President said would not happen.

In the second year, he told us:

... [O]ur budget will run a deficit that will be small and short term.

That proved to be wrong as well. We don't see deficits that are small and short term. We see deficits that are large and long term. In fact, this chart shows the operating deficits under the President's plan from this year going to the end of the budget period. You can see these are massive deficits, by far the biggest we have had in our country's history.

In the third year, the President told us:

[O]ur budget gap is small by historical standards.

Let us look at in fact what has occurred with respect to that claim. You can see this goes back to 1969. It shows the deficits in dollar terms. It shows these are record budget deficits, the biggest we have ever had. So the President was wrong again.

The President said at the end of last year:

Now, we've laid out a plan that shows the deficit will be cut in half over the next five years, and that's good progress toward deficit reduction.

We have to ask, Is the President going to be wrong again?

This chart speaks to that. It shows, I believe, that the President will be absolutely wrong again, and wrong by a big margin. The President says in the fifth year the deficit will be \$237 billion. But that is only the case if you leave out lots of items. If you leave out the \$30 billion of additional war cost the Congressional Budget Office tells us we will still be facing in that fifth year; if you leave out the money needed to fix the alternative minimum tax, which was, as you know when it began, a millionaire's tax. Now it is rapidly becoming a middle-class tax. In fact, about 3 million people are now affected by the alternative minimum tax. By the end of this period, we will have 30 million to 40 million people affected by the alternative minimum tax.

In addition, the President is not talking about the money he will be taking from the Medicare trust fund, or the Social Security trust fund. In that fifth year alone, the President will be taking \$235 billion from the Social Security trust fund. That is much bigger than his entire projected deficit for that year. Every penny of this has to be paid back, and the President has no plan to pay it back.

The same is true with the Medicare surplus—\$22 billion he is borrowing from the Medicare trust fund, again with no plan to pay it back.

Of course, we have the Congressional Budget Office reestimate. They have looked at the President's numbers and made a change. They think the number will be bigger than the President anticipated.

If you add all of this up, instead of adding \$237 billion to the debt in that fifth year, we believe under the President's plan he will be adding \$600 billion to the debt.

What we have, I believe, is a consistent pattern by the President to hide from the American people the full story of our fiscal condition. Here is just a few of the ways he is hiding the full effect of his plan.

The first way he does it is he provides no new funding for ongoing operations in Iraq, Afghanistan, and the continuing war on terror, no new money past September 30 of this year.

Does anybody seriously believe the war in Iraq, the war in Afghanistan, and the war on terror are going to end on September 30, which happens to be the end of the fiscal year? Does anybody believe that? That is what is in the President's budget. When we ask the President's representatives, they say: Well, it is hard for us to know what the cost will be.

We can understand that. But the right answer is not zero, and the President is telling us there is no cost for the war on terror, no cost for the war in Afghanistan, no cost for the war in Iraq past September 30 of this year.

The Congressional Budget Office tells us that, instead of a zero, we ought to be putting in \$280 billion for these costs

for the period 2005 to 2014. That is what they say the war cost will be going forward: \$280 billion. The President has nothing.

But that is not the only place the President is failing to tell the American people what we really face. The Bush budget also hides the full story on the cost of extending the tax cuts. The President has come before us and said: Make all the tax cuts permanent. I wish we could do that. But look at what happens. This dotted line shown on the chart is the first 5 years. The Bush budget only covers the first 5 years. But look what happens to the cost of the tax cut right beyond the 5-year budget window. The cost of the tax cut explodes.

This is being hidden, in effect, from the American people. I think if they have a chance to see this information, they will realize the President has us on a fiscal course that simply does not add up. The deficits and debt absolutely skyrocket as we approach the retirement of the baby boom generation.

It is not just the war cost or the cost of the tax cuts, but we also see the same pattern with the alternative minimum tax. The alternative minimum tax was the tax that was designed to catch millionaires, catch people who were filing and paying no taxes. Remember, back in the 1980s, we had that circumstance where Congress found there were a number of people making, at that time, \$200,000 a year, and there were 22 of them who did not pay a penny of tax.

In response to that, Congress put in place the alternative minimum tax. It affected a very small number of taxpayers. But it has not been adjusted since the time it was put in place, and now we have between 2 and 3 million people caught up in the alternative minimum tax.

But we have not seen anything yet because by the end of this 10-year period, they are telling us 40 million people will be caught up in the alternative minimum tax. The old millionaires' tax is swiftly becoming a middle-class tax trap. The President deals with the problem only for the first year in his budget. He does not deal with the soaring cost over the 10 years, again hiding the full story from the American people.

But perhaps the biggest place—the biggest place—the President is hiding the full effect of his budget policies is with respect to Social Security. The President, after pledging not to use Social Security to pay for tax cuts or other expenditures of Government, is now using, over the next 10 years, every penny of Social Security surplus. And remember, the word "surplus" is not accurate because the money is not extra. This is money that is needed when the baby boomers retire. It is surplus for the moment. That is money that should be used to pay down the debt or prepay the liability.

Instead, the President is taking it to pay for tax cuts and other things. He is

taking every penny of Social Security surplus, not just this year, not just next year, not just for the next 5 years, but for the next 10 years under the President's plan—and all of that at the worst possible time, right before the baby boomers begin to retire. Those funds will be needed to keep the promise made to them.

Remember, in 2001, the President told us he was going to have maximum paydown of the debt. He said he would virtually eliminate the debt. Well, he was wrong again. Because we see the debt exploded. The gross debt of the United States was \$5.8 trillion in 2001 when he took office. We now project—using his tax cuts, the alternative minimum tax reform that will be required, and the ongoing war costs; just making those three corrections—the gross debt of the United States will skyrocket to \$14.8 trillion in 2014.

You wonder, where is all that money coming from. We are running up this huge debt. Where is this money coming from? Well, we have already seen the President is borrowing \$2.4 trillion from the Social Security trust fund—\$2.4 trillion; every penny of the Social Security surplus. He is taking every penny available to borrow, and using it to pay for tax cuts and other things.

But that is not the only place from which he is borrowing. He has borrowed already \$545 billion from Japan, \$149 billion from China; he has borrowed \$69 billion from the so-called Caribbean banking centers; he has borrowed \$58 billion from Hong Kong; he has even borrowed \$43 billion from South Korea. I do not think this makes us stronger. I think this makes us weaker. And that is what has happened.

The President is very fond of saying it is the people's money; we have to give it back to them.

Well, that may have made more sense when there was a surplus, but now that you are in deficit, it is the people's money, certainly, but it is also the people's debt. Where is the money coming from to finance this debt? It is coming from borrowing. We are borrowing from ourselves. We are borrowing from the Social Security trust fund, the Medicare trust fund, under the President's plan, and we are borrowing from countries all around the globe, money that will ultimately have to be paid back, and the President has no plan to do it.

Here are the implications of this policy. This is from a story that was in the Washington Post on January 26 of this year: "Economists Worry About Long-Term Effects of Weak Dollar and Heavy U.S. Borrowing." Here is what it said in the article:

Currency traders fretting over that dependency—

The dependency they are talking about is our need to borrow all this money, borrow from the budget deficit, now approaching \$500 billion this year. We are also, in effect, borrowing from the rest of the world to finance our trade deficit, which is also about \$500 billion a year.

Currency traders fretting over that dependency have been selling dollars fast and buying euros furiously. The fear is that foreigners will tire of financing America's appetites. Foreign investors will dump U.S. assets, especially stocks and bonds, sending financial markets plummeting. Interest rates will shoot up to entice them back. Heavily indebted Americans will not be able to keep up with rising interest payments. Inflation, bankruptcies and economic malaise will follow.

That is the risk the President is running with these enormous deficits as far as the eye can see. We have a circumstance where we have run deficits in the short term. That is more understandable. We have been wracked by an attack on September 11. We have had an economic slowdown. We have a war in Afghanistan and Iraq. I think we can all understand that we would expect to run deficits in that circumstance.

The problem I see is the President's plan going forward. Because even when he sees economic recovery continuing, we are running deficits that are larger than anything we have seen in our country's history—not just for the next few years but the next 5 years and the next 10 years.

When they said in the article that economists are worried about the long-term effect of the drop in the value of the dollar, here is what they are talking about.

The dollar has declined more than 30 percent against the euro just since 2002. In other words, our currency has lost 30 percent of its value against the European currency in the last 2 years. That has enormous implications, both short term and long term.

In the short term, it helps us celebrate abroad. If our dollar is worth less, it makes it easier for us to sell abroad. It makes it harder for us to buy from other countries, so that gives a boost in the short term to our economy.

The problem is, if it continues for an extended period, then people who are investing in the United States in dollar-denominated securities may decide it is no longer advantageous to invest in dollar-denominated investments. They may decide it is time to diversify out of dollar-denominated investments. That could have a very serious and negative consequence on the American economy.

From the Washington Post this morning, I urge my colleagues to look at the story about Warren Buffett—Warren Buffett, the second richest man in the world, somebody who is a patriotic American—indicating that he is betting against the value of the U.S. dollar. He has bet \$12 billion against the value of the American dollar.

I was just with a financial adviser, one of the most prominent financial advisers in America, who had a strategy meeting with one of America's wealthiest families. For the first time at their meeting, they decided to begin to invest in other than dollar-denominated investments because they believe the threat to the value of the American

dollar to long-term American economic strength is being so undercut by these budget and trade deficits.

We have to get serious about the long-term economic security of our country. Do not take my word for it. This is from the President's own budget document. It is the long-term budget outlook. If we adopt the President's spending plan and if we adopt the President's tax plan, this is what it shows. This is a very sobering chart. It tells us that right now we are in the budget sweet spot. Even though this represents a record budget deficit, the biggest we ever had, it shows things getting somewhat better on a so-called unified basis when Social Security money is being used to pay our bills.

Look what happens in the long term as the baby boomers start to retire and the cost of the President's tax cuts explode: The deficits go right off the cliff, deficits that are utterly unsustainable and that fundamentally threaten the economic strength of the country. That is from the President's own budget document. That is their outlook of where this is all headed. This is a policy that cannot be justified over the long term. It is utterly unsustainable.

If you do not want to trust the President's numbers—and I understand that after we have looked at the previous claims of what would happen—this is what the Congressional Budget Office shows. It is exactly the same thing. This is their long-term budget outlook—again, a percentage of GDP so the effect of inflation has been taken out.

They show, with the President's tax cuts, the need for alternative minimum tax reform, maintaining current spending policies, and, of course, the President is really increasing current spending because of the increases in defense and homeland security. Look what happens. The long-term deficits absolutely skyrocket.

All of this is happening at the worst possible time, as this chart shows. This chart shows the tax cuts explode as the trust fund cash surpluses become deficits. This chart shows, in green, the Social Security trust fund. The blue is the Medicare trust fund. The red are the tax cuts, both those already passed and those proposed by the President.

What this chart shows is right now the surpluses in the Social Security and Medicare trust funds are offsetting the cost of the tax cuts. Look what happens when the trust funds go cash negative in 2016 and 2017. At the very time the cost of the tax cuts explode, that combination drives us right over the fiscal cliff. This sets up a very difficult set of choices for the future.

This is a joint statement by the Council on Economic Development, the Concord Coalition, and the Council on Budget and Policy Priorities. In the fall of last year, trying to help people understand what we will face in the future as a result of digging the hole so deep now, this is what they said:

To get a sense of the magnitude of the deficits the nation is likely to face without a

change in policies, consider that even with the full economic recovery that CBO forecasts and a decade of economic growth, balancing the budget by the end of the coming decade would entail such radical steps as:

Raising individual and corporate income taxes by 27 percent; or eliminating Medicare entirely;

We have had tough choices in the past. Wait and see what is to come. Three very serious groups are warning where we are heading.

Continuing:

Raising individual and corporate income taxes by 27 percent; or eliminating Medicare entirely; or cutting Social Security benefits by 60 percent.

We have just had the head of the Federal Reserve, Chairman Greenspan, say we are overcommitted. He said we ought to consider cutting Social Security benefits. But he has not said cut Social Security benefits by 60 percent. That is what these three organizations are saying would be the options facing a future President and a future Congress if we stay on this current course.

Or shutting down three-fourths of the Defense Department; or cutting all expenditures other than Social Security, Medicare, defense, homeland security, and interest payments on the debt including expenditure on the debt—including expenditures for education, transportation, housing, the environment, law enforcement, National Parks, research on diseases, and the rest—by 40 percent.

I hope our colleagues are listening. I hope they are paying attention. We are on a course that is a reckless course. It is not a conservative course. It is a radical course. It is a course that is utterly unsustainable and will lead us into very serious trouble.

If we look at what has happened to spending, it is important to know, again, if we look at total Federal spending, a share of GDP, and we go from 1981, we reached a peak in 1983 of 23.5 percent of gross domestic product going to the Federal Government and then it zigzagged.

In 1991, we put in place a 5-year budget plan that took spending down each and every year as a share of gross domestic production. Then, in 1997, we passed a bipartisan plan that took us down even further, so that in 2001 we were down to 18.4 percent of gross domestic production.

The Federal Government spending had come down very sharply in that 20-year period. Now we have had this tick-up, and this tick-up primarily has been for defense, homeland security, and the response to the September 11 attack, rebuilding New York, and bailing out the airlines. Even with that tick-up, we see we are still well below the spending levels of the 1980s and 1990s in terms of what the Federal Government is spending.

If we turn to the revenue side, we see quite a different picture. On the revenue side, we can see the revenue side of the equation has just collapsed. In 2004, we now expect revenue to be 15.8 percent of gross domestic production. The revenue has just collapsed. We will

have the lowest revenue as a share of gross domestic production since 1950.

Spending is down substantially from where it was in the eighties and nineties, however up from where it was in 2001 because of the increases for defense. Ninety-one percent of the increases have been for defense, homeland security, and the response to the attacks of September 11.

Look what has happened on the revenue side of the equation. The revenue side of the equation has collapsed. About half this is due to the tax cuts. The other half is due to the economic slowdown. Again, we have a real problem on the revenue side of this equation.

The President said last month in a speech in Louisville:

We've got plenty of money in Washington, DC, by the way.

We do not have plenty of money to pay the bills. There is a lot of money here, there is no question about that, but we cannot pay our bills and we cannot come anywhere close to paying our bills. So when the President says we have plenty of money here, he certainly is right, these are very big numbers with which we are dealing, but we do not have enough money to pay the bills.

We are going to hear from the other side that the President has done a good job with his budgets getting the economy growing again. If we look at the economic record of this President, what we see is, in terms of creating private sector jobs, this administration is the first one in 70 years to lose private sector jobs. It is pretty stunning. If you look back, every single President—President Roosevelt, President Truman, President Eisenhower, President Kennedy, President Johnson, President Nixon, President Ford, President Carter, President Reagan, President Bush 41, and President Clinton all had positive job creation in the private sector. We have to go all the way back to Herbert Hoover to see a President who has lost private sector jobs. That does not tell the full story because as we look at what has happened and compare it to history, what we see should be of concern to all of us.

I asked my staff to go back and look at what has happened in the previous times when we had an economic slowdown. I asked them to look at the last nine recessions we have had since World War II and compare job recovery out of those recessions to what is happening now because I think this should alert all of us. Something is wrong, and we have to diagnose what it is. I have some ideas. I am sure my colleagues will have some ideas, but there is something very wrong happening.

This is a chart of a fit line looking at what happened in the last nine recessions. We have a dotted red line, the average of nine recessions since World War II coming out of recessions. The bottom of the chart is the months after the business cycle peak. What we see is about 17 months after the peak, there

is typically a strong job recovery. That is about 17 months after the business peak.

Look at what has happened this time. We are now 35 months or 36 months past the business cycle peak, and still we see no substantial job recovery. In fact, we are now 5.4 million jobs short of the typical recovery.

If we were comparing to just one time, I would be less concerned, but this is every recession since World War II, nine recessions, and if we compare what has happened in each of those to what is happening this time, something is wrong. Something is radically wrong. Typically in these other cases, 17 or 18 months past the business cycle peak, we started to see very strong job recovery. Here we are 37 months past the business cycle peak and we still do not see job recovery. As I indicated, we are 5.4 million jobs short of the typical recovery. In fact, it is not just of a typical recovery; it is of every other recovery since World War II. In the nine previous recessions, every other time, by this time, we would have been strongly recovering. It has not happened.

Again, we are going to hear from the other side that things are pretty good. What we see here is the smallest share of the population is at work since 1994. Again, this is a warning signal to us. Madam President, 62.2 percent of the population is employed now. We see the percentage of the population employed down very sharply from 2000 to now—down very sharply. Only 62.2 percent of the population is employed. We have to go all the way back to 1994 to see a number that weak.

It is not just that statistic which ought to concern us. We also see the longest average duration of unemployment in over 20 years—that is, if we look at how long people are unemployed, we find they are staying unemployed for a longer period than any time in the last 20 years. In other words, people are not finding jobs quickly when they become unemployed. When they are laid off, they are not finding jobs for extended periods of time.

This side of the graph is over 20 weeks people have been waiting to find a new job. Again, that takes you all the way back to 1984 to see people having to wait so long to find other work.

I also asked my staff to look at what has happened to real wages during the Bush administration and compare it to the previous administration. Here is what we found.

If we go back to 1996, the average wages in the country were \$485. By the end of the Clinton administration, it got up to \$530. During the Bush administration, average wages have only gone up \$8 a week. That is very weak in historical comparison. Again, it is another warning sign that the set of policies which are in place are not working appropriately.

I know we will hear the other side talk about the stock market recovery that has taken place, and that certainly has been welcomed. It is much

better than where we were. We need to remind ourselves where we are now compared to where we were.

As this chart shows, the market recovery still leaves stock prices at 1998 levels. We have to go back 6 years to find the stock market at this level.

Another point we have heard from the other side—and I am sure we will hear again—is don't worry, it is the surveys that are at fault; that is what is misleading us as to what is going on in terms of employment. They will say over and over that the household survey—we heard this in the Budget Committee debate—the household survey is the one to which we ought to be paying attention, but that contradicts their Commissioner of the Bureau of Labor Statistics in testimony before the Joint Economic Committee. The Commissioner said:

The payroll survey is the best indicator of current job trends.

That is what we have used here in these statistics. I am sure we will hear the other side argue, as they have in the Budget Committee, that the household survey is better. But the person who is in charge of the Bureau of Labor Statistics contradicts that and says the payroll survey is the best indicator of current job trends.

If we look at the President's economic report that was issued on February 9, just a month ago, they said in that report:

[W]e expect sort of an average jobs in 2004 to be 2.6 million more than jobs in 2003.

This is the President's economic report. This is his prediction of what is going to happen, that there are going to be 2.6 million more jobs this year than last year. From here going forward, that would require the creation of 520,000 jobs a month.

Let's do a little reality test. Here is what happened in February: The increase in jobs was not 520,000 for that month. It was 21,000. In the private sector, there were no new jobs. Every one of these jobs was a Government job. Of the 21,000 jobs created in February, every single one of them was a Government job. There were no private sector jobs created.

The President's report says there are going to be 520,000 jobs created if we are going to meet their claim that there are going to be 2.6 million more jobs by the third quarter of 2004 compared to the third quarter of 2003. For that to come true, they would have to generate 520,000 jobs a month. In February, it was 21,000 jobs and not a single one of them was in the private sector. Every single one of these new jobs in February was in the Government.

So the President's plan is not working. He told us in 2001 this plan would not create deficits. It has created the biggest deficits in our country's history. He told us it would create jobs. Here we are 3 years later. Where are the jobs?

This is what consumers believe is happening. Consumers believe jobs are hard to get. Eighty-eight percent be-

lieve jobs are not plentiful or are hard to get. Only 12 percent believe jobs are plentiful. It is not just with respect to recovery. It is not just with respect to job creation. It is not just with respect to people having an opportunity to find a new place if they lose their old job. We are also seeing the wage growth of production workers starting to fall behind inflation.

This green line shows the average hourly earnings of production of non-supervisory workers. Let's look at this because it goes back to 2001. This is the 12-month percentage change. Back in 2001, we saw an average hour of earning increasing at a rate of over 4 percent. Since that time, it has been almost a steady downward pattern. We see now average wages are going up between 1.5 percent and 2 percent. The red line shows consumer prices, and this year we have now seen the lines cross, so that hourly average earnings are not keeping up with inflation. We are not seeing them keep pace with the increases in consumer prices, another warning sign this is a policy that is not working.

This is our initial take on the President's budget. We think it is taking us in the wrong direction. Let me be clear. When the President came into office in 2001, on our side we proposed a much larger tax reduction in the near term than did the President. I know many people will be surprised by that, but it is a fact. We proposed a budget that had much bigger tax cuts in the short term, to give lift to the economy, than did the President. But we had much less in tax cuts over the 10-year period, about half as many, to avoid going into this deficit swamp.

In retrospect, we were right. It was right to have tax cuts on the front end to give lift to the economy. The economy clearly needed it. It was a mistake for the President to propose these massive tax cuts going out for years into the future when we had the baby boom generation about to begin retiring. It is the combination of policies the President has pursued that we believe is a mistake. We believe, yes, we should have had tax cuts in the short term to give lift to the economy, although we would have chosen a different mix of tax cuts than the President did.

Interestingly enough, the President adopted some of our suggestions, the 10-percent rate, the child care credit, reducing the marriage penalty, and we salute him for that. Those are policies many of us on this side agreed with. But the President also adopted dramatic cuts in capital gains and dividend taxation. These are taxation policies the Congressional Budget Office told us would give us very little bang for the buck in terms of job creation and economic growth. I think the Congressional Budget Office was right. I think that particular mix of tax cuts the President chose was not the right mix to give maximal lift to the economy in the short term.

As we see going forward, the President's tax cuts are so large they fun-

damentally threaten our long-term economic security. That is where we have the significant difference.

I am pleased to see members of the Budget Committee in the Senate and the House have not adopted the President's full tax cut proposal going forward. Now maybe it will occur in later years, past the 5 years. None of us can know that now, but at least in this budget cycle they are not endorsing the President's plan to have another trillion and a half dollars of tax cuts when we already have the largest deficits in the history of our country and we are about to have the baby boomers begin to retire, which will dramatically increase the expenditures of the Federal Government, because that is one thing we know. The baby boomers are not a projection; they are out there. They have been born. They are alive. They are eligible for Social Security and Medicare, and we are faced with a circumstance in which we have to start making very tough decisions.

My own belief is we have to be tough on the spending side of the equation and we have to be tough on the revenue side of the equation. We have to slow the growth of Federal spending. On the other side of the equation, we have to do something about the revenue mess because the revenue this year is the lowest as a percentage of gross domestic product since 1950. When the revenue was high as the share of gross domestic product, the President said we needed tax cuts. Now that it is the lowest it has been since 1950, the President's answer is, more tax cuts.

It does not matter what the problem is, this President comes up with the same answer: Tax cuts, tax cuts, and tax cuts that primarily go to the wealthiest among us.

I have a chart with me which I will use later on that shows 33 percent of the tax cuts this President has proposed and those that have been enacted have gone to the wealthiest 1 percent, those earning over \$337,000 a year. That is not a fair distribution of the tax cuts in this country. It is one reason we have a very weak job recovery, because the tax cuts that were selected were tax cuts that primarily went to the wealthiest among us rather than being targeted at middle-income people who would spend the money. So much of this money has gone to high-end people who save it.

As meritorious as it is to save money, and I try to remind my daughter of this from time to time, that saving is a good thing, but when talking about getting an economy moving we need that money to be spent, we need that money to be moving in the economy. If we look at this economic recovery that has occurred, to the extent it has occurred, there are many factors. One of the biggest factors is the monetary policy of this Nation.

The Federal Reserve has the most accommodative monetary policy in 40 years. It is a key reason this economy has recovered. We have combined debt in this country of over \$20 trillion.

So an accommodative monitoring policy, the lowering of short-term interest rates from 6.5 percent down to 1 percent, has been a key reason for the lift of this economy. The second key reason for the lift of this economy has been the stimulus both on the tax side and the spending side. The two of them are about equal over this 3-year period.

If we look at the increased spending that has occurred—and it has been substantial since 2001—from 2001 to 2003, the Federal Government has increased expenditures by 20 percent. Of course, the tax cuts—especially those geared to the middle class—have helped give lift to this economy.

A third factor helping economic recovery has been the decline in the value of the dollar. That can have negative long-term consequences; but in the short term, a decline in the value of the dollar makes it easier for us to sell abroad, which helps our manufacturing industry and all those that export. It holds down imports because imports become more expensive. So that has helped give lift to the economy in the short term as well.

Madam President, the bottom line is that I believe the fiscal course the President is taking us on—not so much in the short term, although that is of increasing concern, but the longer term proposals by the President are truly dangerous to the economic security of our country. The deficits are too large. They are too long lasting. They explode as the baby boomers retire and the full cost of the President's tax cuts become clear.

I believe we have a responsibility to alter that course. I believe it will become more and more clear in the months ahead that the course we are on is utterly unsustainable and fundamentally reckless. That is why we simply must change course.

I thank the Chair and yield the floor.

THE PRESIDING OFFICER. Who yields time?

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

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

Mr. NICKLES. Madam President, I ask unanimous consent that the time during quorum calls be equally divided.

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

Mr. NICKLES. 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. CONRAD. Madam President, I ask unanimous consent the order for the quorum call be rescinded.

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

Mr. CONRAD. Madam President, the chairman has indicated to me he will return in a few minutes and begin his presentation at that time. Rather than have the time be lost, I will say a few words now.

In addition to being concerned about the President's plan to explode the deficits and the debt, as I look at the President's plan I also see what I believe are misplaced priorities. Let me discuss just a few.

As this chart shows, the Bush plan cuts No Child Left Behind, but that cut saves very little in comparison to the cost of the tax cuts for that same year going to the most wealthy 1 percent. Let me just be very clear. The President's plan shorts No Child Left Behind by \$9.4 billion in this fiscal year, 2005. We passed legislation here that gave increased responsibility to the States, increased the expenses of the States, and in exchange we said we would cover the costs. The President's budget fails to do that. It fails to do it by \$9.4 billion for 2005.

But in that same year the cost of the President's tax cuts for the most wealthy 1 percent, those who earn over \$337,000 a year, are \$45 billion, five times as much as the money needed to keep the promise of No Child Left Behind.

I must say I am in this category. My wife and I are in the top 1 percent. I would be happy to give up part of my tax cut. I would be happy to have it reduced by 20 percent to keep the promise for No Child Left Behind.

The same is true in other categories—veterans medical funding, for example. The President's budget is \$521 million short of providing funding for veterans medical care in 2005 that should be in place to fund it at the same level as last year. It would take \$521 million to bring it up to what we did last year for veterans medical care.

In that same year, the President's tax cuts cost \$45 billion for the wealthiest 1 percent, those earning over \$337,000. That is 90 times as much as the money necessary to restore the funding for veterans medical care. I must say I don't understand these priorities. It doesn't stop there.

This is President Bush's plan for cutting firefighting funds. It would cost \$246 million to restore the money. Again, in 2005, in comparison, the President has \$45 billion in tax cuts going to the wealthiest 1 percent, those earning over \$337,000 a year. That is almost 200 times as much as the money necessary to restore the cuts to the firefighters.

We talked a lot about homeland security. Firefighters who are the first responders, the police who are first responders, ought to be high up on the list of our priorities, and certainly veterans health care. We have just sent thousands of men and women half a world a way to defend this country. Then we cut their medical care. I don't think these are the priorities of the American people.

It doesn't stop there. The President plans to cut COPS funding to put police on the streets. The COPS program has put 100,000 police on the streets in this country. The President proposes deeply cutting COPS funding. It would cost about \$700 million to restore that funding for 2005. Instead, the President says it is more important to have \$45 billion of tax cuts for the wealthiest 1 percent. I do not think that is the priority of the American people.

When we look at these programs individually, we can see the Bush budget cuts the COPS program by 94 percent. This is the amount of money we provided in 2004. We provided \$742 million to put these police on the streets. The President proposes cutting that down to \$44 million. He is cutting it by almost \$700 million at the same time, saying, No, it is more important to have \$45 billion of tax cuts for the wealthiest 1 percent, those earning over \$337,000 a year.

My own belief is the COPS program ought to be funded. I believe we are safer because there are 100,000 more police on the streets. The President, with these deep cuts—cutting the COPS program 94 percent—is going to take police off the streets. When we have a terrorist threat in this country, as we do, why would you take police off the streets? Why would you take police off the beat? It makes no sense to me.

As I say, it doesn't stop there. Here is the President's plan for firefighters. He cuts that program 33 percent. Again, firefighters are first responders.

I can remember well September 11 when the Pentagon was attacked. I remember watching the television. I remember seeing all those first responders. Who was it we asked to respond to the disaster? Firefighters, police, and EMTs. Those are the people who were there to help those who had been hurt.

The President's answer is cut the COPS program 94 percent, cut the firefighters 33 percent, and cut port security 63 percent. We provided \$125 million last year for port security. The President wants to cut that by almost two-thirds, down to \$46 million. We know we are only inspecting about 4 percent of the containers that come into our ports. We know we need to do more. We know we need to do more to secure the ports. In fact, those who are involved with the ports of the country say we ought to have \$5 billion for port security. Obviously, we can't afford \$5 billion. But on the other hand, does it make any sense to cut what we are doing now by 63 percent? I don't think that makes much sense in the light of what we face in terms of a terrorist threat to the country.

Earlier I was talking about the tax cuts the President put in place and the distribution of those tax cuts. Again, I want to make clear I proposed in 2001 much bigger tax cuts on the front end than the President proposed. You will recall the President's initial two proposals would have very small tax cuts in the initial years, and much more in

the outyears. I thought he had it upside down and backwards. I thought we should have more tax cuts on the front end to give life to the economy and much less in the long term so we could prepare for the retirement of the baby boom generation and not undermine Social Security and Medicare and national defense. The President largely got his way, with some exceptions.

Here is what we see as beneficiaries of those income tax cuts. Of the income tax cuts, 68.7 percent of the benefit goes to the top 20 percent, and 33 percent of the benefits—almost a third—go to the top 1 percent. Those are people earning over \$337,000 a year.

I believe one of the reasons we are not seeing the kind of job creation we might have otherwise seen is the President shows the wrong mix of tax cuts. He has it much too weighted to the top end and not enough to the middle class who are the ones who would spend the money and really fuel the economy.

This next chart shows in a little different way who benefited from the 2003 tax cut. Net tax cuts under the tax act passed in 2003 for upper-income individuals was 67 percent of the benefit, according to the Joint Committee on Taxation. Low- and middle-income people got 29 percent, and businesses 3 percent. Again, I think the President chose the wrong mix of tax cuts.

There is no question that stimulus is what the economy needs when you have that kind of slowdown. Stimulus can be either spending or tax cuts. I believe we ought to do both. We have economic weakness and we spend more money—a 20-percent increase from 2001 to 2003 in Federal spending, most of it for defense and homeland security and responding to the effects of September 11, but we also cut taxes. That is a strategy that makes sense at a time of economic weakness. The problem with what was put in place is the taxes were so directed to tax reduction, so directed at the wealthiest among us, the highest income, that we didn't get the same bang for the buck in terms of economic growth and job creation we would have gotten had we targeted more to middle-income individuals and lower-middle-income individuals who would more likely have spent the money.

This is a very interesting chart. I hope my colleagues will have a chance to see a lot of this chart in the coming days. This is how the tax benefits stack up—the average tax cut in 2006. Middle-income people got an average \$566. This is the combined effect of the 2001 and 2003 tax cuts. Middle-income people got an average of \$566.

But look at what happened. Those earning over \$1 million a year got \$140,000 on average in tax cuts. If these bars were proportionate, the bar showing what the people earning over \$1 million get would have to go 35 feet higher. I don't know how high the Chamber is here, but 35 feet would be a long way up in the air to show the comparable tax cuts going to those

earning over \$1 million compared to what the middle-income people get. Middle-income people got \$566. People earning over \$1 million got \$140,000 in tax cuts on average in 1 year.

If we were going to have the comparison done in a proportional way, the bar showing what those earning over \$1 million are receiving for the year would have to go 35 feet high compared to this little bit at the middle income.

Again, I believe one of the reasons we are not seeing the job recovery all of us would like to see is the President simply has the wrong mix of tax cuts.

This chart shows it a different way. A typical taxpayer, one right in the middle of the income distribution in the country, under this scenario got \$685. This is from the Center on Tax Policy, the average tax cut in 2004. In 2004, those earning over \$1 million got \$127,000 in tax cuts. That is a stunning difference. The Bush income tax cuts give three times as much benefit to the top 1 percent as the middle 20 percent.

Looking at the middle 20 percent of the people in the income distribution in this country, they have 11 percent of the benefit of the President's tax cuts. The top 1 percent got almost three times as much. In fact, they did get three times as much for those earning over \$337,000 a year.

I asked my staff to go back and look at how the top 1 percent of our country has done compared to the rest of the American people. Here is what we found looking at increases in average aftertax income from 1979 to 2000. Those in the top 1 percent improved their condition by \$576,000, the middle 20 percent, \$5,500. That is 100 to 1.

The people who have benefited by the economic growth are the top 1 percent. That is fine. I am all for that. We all want people to be able to succeed. That is what opportunity is about. That is what freedom is about, the ability to do better, do better for your family, do better for yourself. Great. But when we come along and make tax policy and we look at those people having been the greatest beneficiaries of what has occurred on a basis of 100 to 1 and we in this tax policy say that is not good enough of a difference, we want to turn around and give those earning over \$1 million a year a \$140,000 tax cut on top of it in 1 year and the middle-class people get \$500.

How is that fair? It eludes me how that is fair. I don't think it is fair. Not only is it not fair, but it is not good economic policy. Why not? Because the middle-income people are the ones who spend the money. We need people to spend money to get the economy moving. People in the higher income categories are the least likely to spend it. They are much more likely to save and invest, which is good to do, but that is not what primes the pump. That is not what gets the economy moving.

When I look at who got the biggest benefit, many times friends on the other side of the aisle say, Hey, wait a minute, the wealthiest folks pay most

of the taxes. That is exactly right. That is true. The wealthy people do pay more of the taxes. We have a progressive tax system, so higher income people pay a greater proportion of taxes, but they do not pay the same share. They do not pay as much more as we gave in the tax cut side of the ledger. As I indicated, they got 33 percent of the President's tax cuts, but they paid 23 percent of the income and payroll taxes. This is the wealthiest 1 percent. They got 33 percent of the benefit, but they paid 23 percent of the taxes. I don't think it is fair on any basis what the President chose as the mix of tax cuts and I don't think it is good economic policy either.

It is stark when we look at the top 1 percent, those earning over \$337,000 a year. They got 33 percent of the benefit of the tax cuts. The bottom 60 percent in this country got 15 percent of the benefit.

Our friends on the other side will say, Hey, wait a minute, the higher income people pay more. Yes, they do, but they do not pay 33 percent of the taxes. Our friends on the other side want to talk about income taxes. They forget that people do not only pay income taxes; they pay income taxes; they pay payroll taxes. The fact is, three-fourths of the American people pay more in payroll taxes than they pay in income taxes. Yet all of the relief has been to income tax payers and done in a way that gives an overwhelming benefit to the highest income tax payer, those earning over \$337,000 a year.

The disparity is even bigger when we look at those who earn over \$1 million a year. As I showed, those earning over \$1 million a year got the cake. We talk about the crumbs and the cake. Here is the cake. Those earning over \$1 million a year, for 2006, will get a \$140,000 tax cut in that year alone. Here is what the middle-income folks in the country are going to get: \$566. There is something wrong with this plan.

Again, when we look at what has happened from 1979 to 2000, the change in share of pretax income, this chart is quite stunning. It is the reason there is a lot of anger in the country, I believe. There is much more anger in the country than I think is generally understood by people in Washington. The reason is middle-income people in this 20-year period have actually lost ground. They are worse off in their share than they were in their pretax income shares in that 20-year period. The middle-income people have actually lost share, 15 percent. Their pretax incomes have gone down. Look what has happened to the top 1 percent. Their pretax income has gone up 91 percent.

We heard Senator EDWARDS from North Carolina in his Presidential campaign talking about two Americas. The reason that got such a tremendous response is because there is a lot of truth in what he is saying. There are two Americas developing: those who are well-to-do, those who are secure, those

who are fully competitive in this global environment; and then middle-income people, who all of a sudden are finding themselves in competition with people who are earning 25 cents an hour in some other part of the world. We are faced with a circumstance that is changing very dramatically.

I met a man who is involved with one of the major industries in the country at a breakfast I attended several weeks ago. He said, Senator, something is changing structurally in this country. Something is happening that is very dramatic. In the business I am in—he is in the machine tool business—at this stage of an economic recovery, we should find our order books filled. We should see dramatic increases in orders. Senator, that is not what we are finding. Yes, economic growth has improved. We saw 4 percent the last quarter, 8 percent the quarter before that. But, he said, our order books are not filling up in the machine tool business. Something structurally is changing here.

There are jobs being created, but not jobs in this country. There is business being created, but it is not business in this country. The jobs are being created in China. The jobs are being created in Mexico. Jobs are being created in India. Business is being created to some extent in this country because we see strong economic growth here, but it is not as it should be in this stage of recovery.

I believe part of it is we have adopted a flawed policy. We have helped with tax policy the very people who have already done extremely well in the last 20 years. Those who are the most educated, the best trained, are doing extremely well. That is great. I am all for that. I hope very much everybody gets into that category. That is what opportunity is about. Through our policies, we are helping the very people who have already done the best, and we are not doing much for the people who are falling behind.

Chairman Greenspan says we ought to focus on education because if we are going to compete in this global environment, we must have the best trained, best educated workforce. Yet in this budget, the President cuts No Child Left Behind \$9 billion.

Does that make sense for our country? Does it make sense to cut education for what was promised by \$9 billion when in that same year we are giving the top 1 percent a \$45 billion tax cut? Does that make sense? Is that good judgment to strengthen our country for the future? I do not think so.

If we look at what has happened, again, from 1979 to 2000, to those in the middle 20 percent, their share of pretax income has dropped. Look at what has happened to the top 20 percent. Their share has almost tripled.

If people are not paying attention, they are going to get swamped. There is anger in this country because when Senator EDWARDS talks about two Americas, he is exactly right. Those at

the top are doing better and better. I am delighted they are doing better. But those in the middle, they are falling behind.

Why? Because this global economy is great for the people who are the best educated and the best trained. That is why we, as a society, ought to make certain we are doing everything we can to make Americans the best educated and the best trained because if you are not, you are not going to be able to compete. You are not going to do well in this global competition, and your share of the national income pie is going to get cut. Those who are well educated and well trained are going to prosper. They are going to soar. We have to somehow fashion a policy that gives all Americans a chance to compete and to do well and to be winners.

We hear a lot from the other side that the biggest beneficiaries of the top rate cut are the 23 million small businesses; that is where most of the jobs are generated. I agree, most of the new jobs are generated by small business. But I do not agree that the top rate cut benefits most businesses. In fact, only 2 percent of businesses qualify for that top rate. Ninety-eight percent got no benefit from the top rate cut.

I hope very much as this debate goes forward that we think very carefully about what we are doing because it is abundantly clear, while there is economic recovery underway, it is an uneven economic recovery. It is a recovery that is not generating jobs in the same way we have seen in the nine previous recessions. We are 5.4 million jobs behind where we typically have been in other recoveries since World War II.

Something is wrong. Something is not going right. I believe one part of that is the tax policies that have been put in place that have benefited primarily the top 1 percent. The top 1 percent got a third of the benefit—those earning over \$337,000 a year. Those are the very people who have done the best in the last 20 years on every scale. They have increased their incomes by over half a million dollars. They have seen their pretax income go up 91 percent, while those in the middle have seen theirs shrink.

I think that is right at the heart of why we see a jobless recovery underway. The people who are the very ones who would spend the money are not getting the money. The people who are getting the money, under the President's plan, are the wealthiest among us. They are the least likely to spend it. They are the most likely to put it in the bank. And while savings is a good thing, and I am delighted to always see people save because that helps investment for the future—and we need to have more savings in order to have more investment, to have more growth for the future—in the short term, to get people back to work and to fuel the economy, you need people spending money. The people most likely to spend money are the people in the middle class.

Of course, we have also seen somebody else spend money. That is Uncle Sam. Uncle Sam has been spending a lot more money. From 2001 to 2003, Federal spending went up 20 percent. From 2001 to 2004, Federal spending has gone up almost 30 percent.

Where is the increased spending going? Ninety-one percent of the increased spending is going in just three areas. Most of it is defense. The next biggest is homeland security. The third biggest was a response to the attacks of September 11—rebuilding New York, bailing out the airlines, and the international programs that have been adopted to deal with the crisis in Afghanistan and Iraq. That is where the increased spending has occurred.

We will hear a lot from the other side that spending is out of control. It really is not. We have seen a big bump up in the 3 years of this President, but where has it been? The increases have been for defense, homeland security, and the response to the September 11 attack.

The place where the deficits have really opened is on the revenue side. It is the revenue side of the equation that has collapsed. We are going to have the least revenues as a share of gross domestic product since 1950. So if we are going to be honest and straight with the American people about diagnosing the problems we have, we have to address the circumstances as we know them, as we face them.

Let me just quickly say, on the revenue side of the equation, I know a lot of people's impulse is, well, if you are talking more revenue, you are talking tax increases. That would not be the first place I would look for more revenue. The first place I would look for more revenue would be the tax gap, the difference between what is owed and what is being paid.

I met with the head of the Revenue Service in the last 2 weeks, and he told me the tax gap, as of 2001—the difference between what is owed and what is paid—was \$255 billion in that year alone. We ought to have a concerted effort to go after those who are not paying what they legitimately owe under this Tax Code—those companies, those individuals who are dodging what they legitimately owe, to the tune of \$255 billion in 2001 alone. It is totally unfair to the rest of us who pay what we legitimately owe to let others—a small percentage—escape what they owe.

A previous Revenue Commissioner did an analysis and said the rest of us paid 15 percent more because of that small group of companies and individuals who are not paying what they legitimately owe.

I hope we shine a bright light on this tax gap because I believe it is the first place we ought to look to start to fill in this revenue hole that has been created. Instead of going to a tax increase, the first thing we ought to do is close the tax gap so everybody can be assured everyone else is paying what they fairly owe under the law.

I thank the Chair and yield the floor.

I ask the Senator, are you ready to proceed or should I put in a quorum call?

The PRESIDING OFFICER (Mr. ENZI). The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I thank my friend and colleague, Senator CONRAD, for his remarks. I agree with some of them, not necessarily all of them. Let me make a few comments on the budget. And I, again, appreciate his patience in waiting for me so I could have a bite to eat and also get prepared for this presentation.

The budget is a difficult challenge. To write a budget for the United States of America, the largest government in the world, the largest economy in the world, is not easy.

President Bush has written a budget. We produced a budget out of the Budget Committee. I hear a lot of complaints about how bad the President's budget is or how bad the resolution on which we will be voting on the floor is, but I have not seen alternatives. I would urge people, show me your alternative. Show me how much money you would spend, how much money you would tax. That is basically what a budget outline is: how much money we are going to spend and how much money we are going to tax. What is our objective? How are we going to achieve it?

We use assumptions. A lot of times the assumptions are wrong. I have heard a lot of complaints: Well, President Bush missed the assumptions big time. In 2001, we projected enormous surpluses, and now we have enormous deficits—trillions of dollars of difference. What happened? We don't understand.

Well, a lot of things happened. Let me just say there have been a lot of inaccurate assessments made. And I go back to the year 2001. In January 2001, everybody missed—everybody missed—big time, not just President Bush. President Clinton, the Congressional Budget Office, the Office of Management and Budget all missed more than you can imagine.

I will just make a couple comments on a little history.

The NASDAQ collapsed in the year 2001, and it continued to decline a little bit in 2002. But a big collapse was really in the year 2000.

I might mention that President Clinton was still President. Yet I will show you the next thing. His forecast for 2001—this was given in January of 2001—estimated about an additional employment of almost 2 million jobs.

Frankly, the economy was already falling into recession, which was shown by the fact that NASDAQ went down by almost 50 percent in 2000. Yet the budget experts, Democrats and Republicans, CBO and OMB—CBO is the Congressional Budget Office and OMB is the Office of Management and Budget—projected that revenues would continue to climb, employment would continue to climb, as President Clinton did.

They all missed it. They missed it by an enormous amount. They were forecasting trillions of dollars in surpluses. They were way wrong. Of course, they also didn't know, and could not have expected, the hit we had in September of 2001. But there were enormous mistakes that were made.

The market collapse, or the crash of the market and NASDAQ declining by that much was missed. They didn't estimate what the impact would be on revenues and to the economy.

We had trillions of dollars in market value that was lost in the collapse. If you look at the NASDAQ chart again, in March, that collapse started in March of 2000. Individuals, investors know that. They remember that is when the bubble popped. NASDAQ was almost 5,000. Then all of a sudden it was going down to 4,000, 3,000, and it ended up that year at 2,500. So there was an enormous decline of market value. A lot of it was inflated. Chairman Greenspan called it "irrational exuberance," and he was probably right. It flowed through as a real loss and decline of revenue coming into the Federal Government.

In the year 2000, we had over \$2 trillion of revenue. That declined to last year's \$1.78 trillion in revenues. Part of that was tax cuts, but the bigger part of it was the recession.

Look at this chart. Where did the deficits come from? Most of the deficits came from economic and technical changes. That is 40 percent, from the assumptions made in 2001. New spending comprised 37 percent. So you had economic and technical changes of 40 percent; new spending, 37 percent; tax cuts, 23 percent.

Again, this is comparing 2001 to the forecast of today. My point is, I want to give people a perspective of what happened. The new spending—we had big supplemental changes—changes were made as a result of the war. We had two very large supplementals to fight the wars in Afghanistan and Iraq, and a big supplemental to help New York City and Virginia. That totaled almost \$250 billion in new spending just to take care of those who were injured and to rebuild New York City and fight the war on terrorism.

That is kind of what we inherited last year. Last year, the previous year, we didn't have a budget. Last year we had to pass a budget, and the economy was still rather flat. Besides, Democrats and Republicans said we needed a stimulus package, we needed to grow the economy. We had different ideas of how to do it. I think some of what we did last year helped a lot.

I have heard criticism. I will make a couple of comments. I think the changes we made last year did grow the economy, did make a difference. If you look at the GDP, gross domestic product, you can see what we were looking at last year. It was rather stagnant. The economy started dropping in 2000, a negative quarter in 2000, and in 2001 it was still pretty negative.

Then we started to have a growing economy. When we passed the tax bill last year—when we started talking about it, we started to notice the GDP started rising dramatically.

The last three quarters were very positive. The third quarter of last year is the largest economic growth period we have had in any quarter in decades—not in years but decades. So the tax bill changes we made were positive.

Some people say I think we want to make changes to grow the economy. We did. We basically accelerated the tax cuts that were already in progress and moved the rates to the rates they are today. That was positive, in my opinion, and very beneficial. We cut in half the tax on dividends. Chairman Greenspan and others said we should go to zero.

The Senate passed a bill that would take the tax on dividends to zero, i.e., they should only be taxed once. We found out then in comparing it that we taxed the contribution distributions from corporations higher in the U.S. than in any other country in the world. We tied with Japan for the highest tax rate on taxing proceeds from corporations, higher than anybody else in the world. We cut that tax in half, to 15 percent.

We cut the capital gains rate from 20 percent to 15 percent. It has made a big difference. You see these economic growth figures—GDP going up by 4, 5, 8 percent. Those are very positive and good numbers.

If you look at what was done in the stock market, there was over a \$4.5 trillion increase, almost on a straight line basis, since the tax bill we passed last year. That is astronomical—great, good news. That is good news for all Americans.

Some people say, well, that only benefits the Warren Buffetts or the wealthy people who invest. That is not correct. It benefits the entire economy. That means the wealth of these companies is growing. These companies are owned by, frankly, almost all Americans. I think over 50 percent of the households have direct ownership, if you looked at the investments they have, such as the teachers public employee trust funds, all kinds of retirement plans, 401(k)s, almost all of which have investments in the stock market. That means instead of having declining market value in their retirement accounts, they have increasing ones, escalating amounts. That is all good news. We want to continue that good news.

The point is, very seldom can you say—we passed a budget last year and, if we had not done that, we would not have had a growth package, we would not have cut the tax on dividends to 15 percent, or reduced the tax rate on capital gains 25 percent, from 20 to 15 percent. That would not have happened. But we passed a budget and it made it possible for that to happen. As a result, I think we have good news to share.

When people think about whether budgets make a difference, they make

a world of difference. Can you impact the economy? Yes. We proved that and we did.

If you look at the unemployment rate, for example—and we have heard a lot of discussion on it—it is now 5.6 percent. It was up to 6.3 percent. It has been declining ever since we passed the bill. We made some good progress. We have not had the increase in employment certainly that I would like to see, but it is moving in the right direction.

As far as the employment rates or the number of people employed, we are making progress. I think one of the reasons it has not been as good as we would like in many cases is because productivity has escalated rather dramatically. That is good for consumers, certainly good for our economy. That keeps us competitive. That means we produce more goods per hour and that is all positive. We will see a rise, hopefully, in the employment rates as we continue.

The unemployment rate is down and employment rates are up. If you look at the number of people employed, it is an all-time high. It all happened because we passed a budget last year. So I encourage people who are very critical of this budget to come up with their own. This is not an easy job. So I welcome the discussion.

I also wish to talk a little bit about tax rates. I have heard a lot of complaints about the wealthy benefitting so much from these tax cuts, and how terrible it is that they were disproportionately benefiting from this proposal—either the tax cut of 2001—and there is a lot of discussion and confusion about the 2001 tax cut and the 2003 tax cut. I was one of the principal authors of both. Primarily, I was very involved with it. Let me defend it.

One, for those people who say it didn't benefit the low-income people, that is not correct. In the 2001 tax cut, we accelerated the tax reduction for low-income people and made it effectively retroactive. Maybe some people forgot that, but we did that.

Again, we passed the tax cut in 2001, and we reduced every tax bracket—every tax bracket, not just the tax brackets for the higher brackets. We reduced every tax bracket, and we reduced the lower tax bracket more than any other bracket.

The lowest tax bracket at that time, other than zero, was 15 percent. We made it 10 percent, and we did it retroactive to January. So we took the lowest bracket, cut that tax rate by 50 percent, and we made it retroactive.

We took the maximum rate, which was 39.6 percent, and we reduced it by 1 point to 38.6 percent for 2 years. Last year we finally got it down to 35 percent. It took us from 2001 to the middle of 2003 before we got it down to the 35-percent tax bracket. It was 39.6 percent under President Clinton. We took it to 35 percent. It is still much higher than it was under President Bush 1 at 31 percent. Thirty-five percent over 31 percent, it is almost 20 percent higher

than it was under President Bush 1. But we made the lower income tax bracket reduction effective immediately and we did it all in 1 year. We did not phase it in over 3 years.

We also did some other things. We made the tax cut more refundable. I don't happen to agree with that, but we did, so we write a check to people who do not even pay taxes. In many cases, we write them a check much greater than their payroll taxes.

I hear some people say: You need to include payroll taxes. I understand there are income taxes and payroll taxes combined, but for low-income people, in many cases we would write a check to them that greatly exceeded their 2001 tax bill. Maybe some people forgot that point.

Then we also increased the \$500 per child tax credit to \$1,000. Last year, we took it from \$700 to \$1,000. That is a \$1,000 tax credit per child. If we do not extend it this year, it will go back to \$700. We assume in our budget that we are going to extend it.

When people say we did not do anything for low-income people, if you have 4 kids, that is \$4,000—4 times the \$1,000 tax credit on which you do not have to pay taxes.

The net impact of that is a lot of people do not pay income taxes because if you look at the child tax credit and you look at the earned income tax credit and so on, we have a lot of programs for low-income people, so maybe they do not pay taxes.

Then we hear the argument of distribution, the class argument: The wealthier are the ones who are benefiting. Frankly, people in the upper 5 percent of income pay half the income tax. Think of that. The upper 5 percent of the American people pay half the income tax. Sure, if you are going to cut income taxes, they are going to benefit. The point being, how much should the rate be? What is the right level? I happen to think when we talk about a 35-percent rate—that is over a third, if my math is somewhat accurate—that is a lot. Why should the Federal Government take over a third of anybody's income for any reason? Why is the Government entitled to take half?

When I was first elected, the rate was all the way up to 70 percent. The Government could take 70 percent of any additional dollar you earned. I think that is wrong. We have gradually reduced it to 28 percent, and it went up to 39.6 percent. Frankly, it is even higher than 39.6 percent because there is a tax on all income of 2.9 percent to pay Medicare. So you actually add 2.9 percent for these income tax figures. Add 2.9 percent, so the maximum percent is 37.9 percent today. Maybe people don't realize that. How much money should the Federal Government take? The power to tax is the power to destroy. Where do you destroy an individual's or company's incentive to produce more? At some point, I can tell you from my experience in the private sector—I used to be in the private sec-

tor; I will be returning before too long—at some point, when you work more for the Government than you work for yourself, you lose a lot of your incentive to grow, build, and expand, and when I say expand, I am talking about hiring more people.

I found out earlier when I had a janitor service that I was almost in a 40-percent tax bracket. Why in the world should I get up early every morning or work late at night if Uncle Sam and the State—combined between the two—are going to take about half? It is a real disincentive to grow. I had several employees and could have had several more. I had the same situation when I ran a manufacturing company in Oklahoma. Marginal tax makes a difference.

I mentioned the top rate today is 35 percent. If you add the 2.9 percent because of Medicare, that is 37.9 percent, and you have not yet paid any State income tax. A lot of States have 6 or 7 percent, so you add that. Now you are at 45 percent. Some cities have an income tax. You add that and you are at the 50-percent rate.

Why does someone want to continue building and growing and expanding? Expanding is where jobs are created.

Mr. SARBANES. Will the Senator yield for a question?

Mr. NICKLES. No, I will not yield. I am going to make a fairly significant statement.

Mr. SARBANES. I want to clarify one point.

Mr. NICKLES. Not at this point.

Some people say that is a big benefit for the wealthy. I say why in the world should the Government take half? I don't think they should. Maybe some people believe they should. I disagree.

What we have assumed in the budget is we are going to continue present law; that we are not going to have a tax increase. Some people don't want that to be in there. We assume we are going to continue present law, where we have several provisions that are due to expire at the end of this year. Some of those, frankly, are targeted toward low- or middle-income people. They would expand the child tax credit. As I mentioned, if we do not extend it, the child tax credit will go from \$1,000 to \$700. There is a \$1,000 tax credit today. If we do not extend it, as assumed in the budget, it goes to \$700. So they will lose. If they have 4 kids, they are going to have to pay \$1,200 more in taxes next year than they pay this year.

What about the marriage tax penalty? We assume we are going to extend the marriage penalty relief we put in last year's bill. That is very significant for middle-income tax relief.

I heard my good friend Senator CONRAD talk about the middle-income class does not get anything. That is not accurate, in my opinion. The middle-income class people do very well. If you have a taxable income of \$58,000, your tax bracket is 15 percent. We want to keep it at 15 percent. If we do not pass the extension, it is going to revert

down and people will be paying 25 percent if they make \$58,000. As a matter of fact, the savings on that income category is about \$900. So if a married couple and their combined, joint taxable income is \$58,000, the marriage penalty relief we passed last year which we want to extend is \$900. So you have \$900 there. If they have 4 kids, that is another \$1,200 difference. That is \$2,100 of tax relief for a couple with 4 kids. That is a rather typical American family. I happen to have four kids. I don't qualify for this, but most American families have taxable incomes of \$58,000 and would qualify for it. My kids are too old. My point being, this is real tax relief for American families.

We also expand the 10-percent bracket, and we continue that expansion, or we assume that will be continued under our resolution. That is another \$100.

If you look at the savings, we have \$900 on marriage penalty relief we would extend; we have \$1,200 for the child tax credit we would extend; another \$100 for the 10-percent expansion. We expand the amount of income that would be taxed at 10 percent. By continuing those provisions, we save the American family which has \$58,000 in taxable income and 4 kids about \$2,200. That is real relief. Percentage-wise, on the amount of taxes they pay, it is probably a greater percentage relief than anyone. It is very significant. So I want to put some of the tax equity arguments in perspective.

I will make just a couple of other comments about the budget. I mentioned what we assume on the tax side. I tell my colleagues if they are bent out of shape, we have a reconciliation package instruction that would make all of those things I just mentioned be extended throughout the 5-year window of this bill.

This is a 5-year budget. I am assuming all those things would be made permanent, or at least be extended through this resolution. Things cannot be made permanent in budget resolutions. A lot of people say we want to make those tax cuts permanent. I said fine. We just have to do a tax bill outside of reconciliation.

I am happy to do the tax bill, I tell my friend and colleague. I think he knows that. I have the pleasure of serving with him on the Finance Committee. This Senate has done many tax bills, many inside reconciliation and many outside. By definition, if they are inside a reconciliation they are terminated. I do not like that. Frankly, I want to do something this year on the death tax or the estate tax. If we are going to do something on the death tax, it ought to be done outside of reconciliation so it is not temporary, so it is permanent, so tax planners and others can figure out what they want to do and they can count on it. So maybe we will have the opportunity to do that if we do bills outside of reconciliation.

I have looked at it more or less as a fallback, and I told Senator GRASSLEY, who is the very able chairman of the

Finance Committee, that we might have this as a fallback but hopefully we could do these things outside of reconciliation. That would be a couple of options.

That is \$81 billion that we are assuming in reconciliation. We assume about \$12 trillion in the next 5 years in revenues. So the amount of money we are trying to direct through the reconciliation process is very small in proportion to the total amount of money that is expected to be raised under current law. So I just mention those things on the revenue side.

What about on the spending side? I showed the chart where spending has gone up and revenues have gone down, mostly because of the economy, somewhat because of the tax cut. Expenditures have gone up rather dramatically.

We believe it is time to be responsible. We think it is time to make some reductions, to at least cap the growth on spending. So the resolution we have makes some tough choices. In many cases we have not made tough choices in the past.

I am sure I am going to hear from my colleagues: Well, too much is cut, too much is assumed. Basically, we still assume spending will grow, but it is going to grow by less. In some cases, for the assumptions we have that defense would grow about 5 percent, I have already heard—very strongly I might add from Chairman STEVENS and Chairman WARNER—that they want 7 percent. The President requested a 7-percent growth in defense. We have assumed 5.1 percent, and I expect there will be efforts to—I might even say I know there will be efforts that will be coming to increase that level.

We assume the President's number in homeland defense. I have heard people say that is not enough; he did not do enough on first responders; he did not do enough for port security, and so on. But we assumed a 15-percent increase in homeland security, according to CBO. If we take out the bioshield, which was actually funded last year, it is about a 10-percent growth. Again, 10 percent when looking at the rest of the budget, nondefense, nonhomeland security grows by basically a freeze. We could say .5 percent or a freeze. The President's budget said it would grow by about .5 percent. Our budget is very close to a freeze.

These programs are not used to a freeze. I can show program after program, going all the way back since 1990, that has been growing in annual expenditures in double digits continually. They are addicted to that kind of spending growth.

If we try to say, I am sorry, you may have to live with a freeze, that is not going to be easy. I know a lot of the appropriators are looking at it and saying: Whoa, we are used to having a lot more money than that. I know this will not be easy. I tell my friend and colleague from North Dakota, it will not be easy because I know there is a lot of

demand to spend somebody else's money. Frankly, I do not think \$500 billion deficits are acceptable.

The administration estimated the deficit for this year at \$521 billion. I hope they are incorrect. We use the Congressional Budget Office. There are differences and they are legitimate. There are professionals both at the Congressional Budget Office and OMB, and I respect them all. They have different estimates, for different reasons. We can spend a lot of time on that, but the Congressional Budget Office estimates that this year the deficit will be about \$477 billion.

The President said he wanted to get the deficit down by half over 5 years. That is very significant. The President is estimating \$521 billion. To try and get that in half over 5 years is a very significant deficit reduction, not easily obtained.

Since we use the Congressional Budget Office, we start at \$477 billion. Under our budget resolution, next year the total deficit will be \$338 billion. That is a reduction of about \$140 billion—actually \$139 billion in 1 year. That is a very significant decline. The next year goes down again about \$80 billion, a very significant deficit reduction, not easily done.

If we are successful in doing that, we will be very close to the halfway mark in 2006. We will be there in 2007. So we are bringing it down.

Looking at it as a percentage of gross domestic product, the estimate today of the deficit is 4.6 percent of GDP. In past years, even in the early 1980s or 1990s, we had deficit figures of as much as 6 percent of GDP. We are bringing it down in a couple of years to 2 percent, which is much more sustainable. In the year 2007, it will be 1.7 percent of GDP. So we are making significant progress in deficit reduction. We would meet this target either nominally through dollars or through a percentage of GDP in 3 years.

I know there are going to be a lot of amendments that say we are cutting too much too fast. Frankly, we are not cutting. We are saying we should allow defense spending to grow as much as necessary, but other than that we need to tighten our belts. We have not done that in the past. As a result, I know people are going to say we need more money, and we will be happy to look at the requests. In many cases we can fund more money, but we may have to cut other places to do it.

I have heard some people say, well, we need money for veterans, for education, for first responders, for defense, or the COPS Program, or whatever. Fine. They can have more money, but between us on the Budget Committee and the appropriators, we are going to have to reduce some money or spending in other areas to pay for it. That is making tough choices. We have not done that.

I remind our colleagues, and I think Senator CONRAD would join me, in this budget we do not micromanage where

the money is going to be spent. We can assume that money will be spent in education or it might be spent for the COPS Program, but, frankly, we give a number to the appropriating committees and they have to live with that number.

They can change the number. So we might assume one thing for education—actually, we have assumptions in this bill for significant increases in several areas in education. We assume fairly significant increases in veterans programs. Somebody else could assume it differently, or they could say well, we want more money for veterans. Fine. They may have to make some reductions in housing or make reductions elsewhere in the budget to make it equal that total number.

I mention this for our colleagues' information. Doing this budget will not be easy. I am sure we will have lots of amendments. I concur with Senator CONRAD, I would prefer to manage it in a way that we would be more direct in handling the amendments, trying to have more amendments throughout the course of the budget debate and not have so many stacked up at the end. I do not think that speaks well for the Senate and our management of this challenge.

This is a challenge. This is not easy.

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

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

Mr. CONRAD. Mr. President, the very able chairman of the Budget Committee has just given his review of his proposal on both the revenue and the spending side. Let me put up this chart which shows a bit of a different perspective.

The chairman put up a chart which shows the deficit being cut in half over the next several years. This is the problem I have with that chart. I think it fundamentally misleads the American people about the fiscal condition of the country.

The chairman's chart is entirely accurate about the unified deficit. What does that mean? That is when you put all the money in the same pot, all the income tax collections and all the payroll tax collections to support Social Security, Medicare, and then you take all the spending out of that same pot. That is how we have done the budget here for years.

The problem now is we are in a different situation. The different situation is Social Security, in the 1980s, was changed to run large surpluses during this period in preparation for the retirement of the baby boom generation. So when you put all the money in the same pot, it gives a misleading result. It misleads you as to your true fiscal condition.

Let me take this chart from the chairman's own budget. It shows, for 2004, that the overall debt is going to increase by \$612 billion between 2004 and 2005. It is going to increase by \$612 billion.

Let's go out. Under the chairman's mark, I think he is saying that the deficit will be cut in half in—Mr. Chairman, 4 years or 3 years? The deficit will be cut in half in 3 years.

But look at this. When you look at the total picture, you see a different result. You see, between 2004 and 2005, the debt being increased by \$612 billion; in the next year, \$569 billion; in the next year, \$553 billion; and in what was supposed to be the third year, where it is supposed to be cut in half, the debt is increasing by \$563 billion. There is almost no difference here in how much the debt is increasing. In fact, in the 5 years the debt is increasing \$2.86 trillion under the chairman's mark.

The chairman is putting the most positive complexion on this budget he can, and I understand that. But when you look at what he is proposing, he is talking about the unified deficit, he is talking about jackpotting all the money, he is talking about the so-called unified deficit being cut in half. To me, that does not give an accurate picture of the fiscal condition of the country.

Mr. SARBANES. Will the Senator yield for a question?

Mr. CONRAD. I will be happy to yield.

Mr. SARBANES. I understand this point the Senator is making is compounded by the fact that what we are looking at with this budget is just a 5-year projection.

Mr. CONRAD. That is correct.

Mr. SARBANES. It is my understanding it includes within it the idea of making these tax cuts that were passed permanent instead of temporary. Of course, the people who put the tax cuts in place were the ones who made them temporary. Now they are coming back, seeking a change in the law to make them permanent. They, in effect, are changing the tax structure. Otherwise, they would expire.

But they are only projecting a 5-year period. As I understand it, if you do the 5-year period, this is the increase in the deficit here, just this amount. But the full brunt of this doesn't hit home until the subsequent period. So if you take a 10-year period, which we have done in the past—we have used 10-year projections rather than 5—if you take the 10-year period, look what happens to the cost. There is a deficit explosion. It is just staggering.

Of course, we are only being shown this part of the picture instead of being shown all of the picture, which shows a \$1.6 trillion 10-year cost. There is a \$1.6 trillion 10-year cost to extending the tax cuts over this next 10-year period.

So the Senator is making one point about the understatement of the situation we are moving in, but this also dramatizes another very important

point. We are being set on a fiscal course that spells disaster for the country, and we need to recognize that. It is one of the reasons I joined with the Senator in the Budget Committee in voting against this budget. This is not a sound, solid, steady course to be on, in terms of the Nation's fiscal policy.

Mr. CONRAD. The Senator makes a very powerful point. As you can see just on the tax side of the ledger, the President's tax cut proposal explodes right beyond the 5-year window.

Mr. SARBANES. That is right. Exactly.

Mr. CONRAD. If the Senator will put the chart up again, what that shows—

Mr. SARBANES. You see it runs along here like this. This is as far as the chairman's budget projects it, right to there. Then it stays on that line a little bit and then look what happens to it—it is incredible. It is the shooting star deficit, the way this thing is going.

Mr. CONRAD. It is truly stunning. It is not just the tax cuts that have that same pattern. Fixing the alternative minimum tax, which was the original millionaire's tax, is rapidly becoming a middle-class tax increase that has that same pattern.

In addition, they are hiding the cost of the war. The war, they say, has no additional cost. The war in Iraq, the war in Afghanistan, and the war on terrorism has no additional cost past September 30. Who believes that? We know right now they are preparing a request for additional funding, a vote to be held after the election in which they are going to ask for another \$50 billion.

Mr. SARBANES. At least.

Mr. CONRAD. At least. The Congressional Budget Office tells us the true ongoing cost of the war over the 10-year period will be \$280 billion. There is not a dime of it in the President's budget.

The Senator is quite right. It is this pattern of hiding from the American people the full cost of these budget proposals that is a great concern.

Mr. SARBANES. Will the Senator yield further?

Mr. CONRAD. I am happy to yield.

Mr. SARBANES. I would like to pick up on the Senator's point about the cost of adjusting the alternative minimum tax. Of course, the alternative minimum tax was put in place in order to tax wealthy people who are using various deductions and exemptions, and so forth, not to pay taxes. The idea was, at a minimum you ought to pay a certain amount of tax. There was a huge public outcry about that—justifiably so in my opinion. So we put it into place. Of course, as the economy evolves, you have inflation and so forth and so on, and you have to keep adjusting it; otherwise, it is going to work its way down further into the middle class. It was never intended to do that. So it has been adjusted from time to time.

In fact, the President is proposing in his budget, as I understand it, a 1-year

adjustment—not projecting it out. Of course, that raises the question immediately in your mind: Why a 1-year adjustment? I think it is obvious why, if you do this, because it shows if you really adjust it as it ought to be adjusted, you are projecting out \$658 billion in a 10-year cost to reform the alternative minimum tax. There is a \$658 billion 10-year cost to reform the alternative minimum tax. Here you have \$1.6 trillion to extend and make permanent the existing tax cuts, the sum total of which is \$2.2 trillion.

Mr. CONRAD. Real money.

Mr. SARBANES. You are telling me it is real money. Absolutely. The Senator is absolutely right. This budget is kind of you see this, but you do not see what is behind the scenes, what is coming. We cut off the picture and look at a certain point. It works pretty good. You cut it off here before this line takes off. You see what we are showing—this part. It is an exercise in prudence to come along and say: Wait a second; let us see how that works in the outyears. All of a sudden, you see it just takes off like that.

The Senator is absolutely right.

Mr. CONRAD. You have the same pattern on the alternative minimum tax, as the Senator showed. Interestingly enough, that costs \$658 billion over the 10 years. The President only provides for 1 year in his budget—\$23 billion. He shows the \$23 billion necessary to keep this thing from cutting more and more into the middle class. In fact, we have 2 million or 3 million people affected by the alternative minimum tax. By the end of that 10-year period, 40 million people are going to be caught up in the alternative minimum tax. Boy, are they in for a big surprise. They thought they were getting tax cuts. They are going to get a whooping tax increase. What the President's budget does, and the budget from the Republican side in the Budget Committee, is just deal with this problem for 1 year.

Mr. SARBANES. Will the Senator yield?

Mr. CONRAD. Yes.

Mr. SARBANES. It is interesting. If you deal with the first year of the 10-year period, it is \$23 billion, as I understand it. But you can't assume, well, we will just project that out at \$23 billion a year, each year. So the cost over 10 years would be \$230 billion, which is what someone just coming to it at first blush might assume. The fact is that the cost escalates rapidly. So over the 10-year period, it is not 10 times \$23 billion, or \$230 billion; it is \$658 billion, almost triple what you might suppose it would be.

Mr. CONRAD. The reason for that is, as the Senator knows, more and more people are getting sucked into this alternative minimum tax designed to catch millionaires. Now it is going to be catching middle-class people. In fact, there was an excellent article in the Washington Post this weekend by a young journalist whose family just got

sucked into the alternative minimum tax. It cost his family over \$2,000 in this year alone to get sucked into this alternative minimum tax problem.

Our friends on the other side are saying they have tax cuts for the middle class which they want to continue. I support continuing those middle-class tax cuts. But they are not dealing with the alternative minimum tax that used to be the millionaires' tax and rapidly becoming a middle-class tax trap. They only deal with that for 1 year.

They have tax increases, as well, built into this budget that are very disguised. It is going to affect millions and millions and millions of people.

Mr. SARBANES. Will the Senator yield for a further question?

Mr. CONRAD. Yes.

Mr. SARBANES. The Senator enumerated the three concerns: a 10-year projection of the cost of the tax cut, the alternative minimum tax; the Senator mentioned the failure to reflect in the budget any cost for our involvement in Iraq or Afghanistan. I want to be clear on this point. Am I correct in understanding that the budget which the President sent to the Congress for the next fiscal year beginning on October 1 of this year, 2004—the budget he submitted to the Congress, the spending blueprint—has zero for the cost of Iraq and Afghanistan? Is that correct?

Mr. CONRAD. Yes. It is hard to believe, but it is true. The President is telling us he has put nothing in the budget because he says it is hard to estimate how much it will be. I have said to these representatives, the thing we know is the right answer is not zero. That is the thing we know for sure. Zero is not the right answer.

Mr. SARBANES. Absolutely. Yes.

Mr. CONRAD. The Congressional Budget Office tells us that the 10-year effect of the war in Iraq, the war in Afghanistan, the war on terror is \$280 billion. But the President's budget has nothing for it.

That is part of the reason I have said this budget doesn't reveal to the American people our true financial condition. You have the exploding cost of the tax cuts beyond a 5-year window, you have the cost of fixing the alternative minimum tax to prevent it from sucking in more and more middle-class taxpayers, you have the cost of the war that is not in the President's budget, then the biggest one of all, the President is going to take over the next 10 years \$2.4 trillion from Social Security. He is borrowing it from Social Security with no plan to pay it back. If you were running any other enterprise, if you were running a private company, you could not take the retirement funds of your employees and use it to pay the other expenses of the enterprise. You would be in violation of Federal law if you did that.

That is what this chart shows under the President's budget and under the chairman's mark. Here is a chart that shows it very well. This is what is entirely hidden from people's view with

respect to what is happening to our fiscal condition. This shows the Social Security surpluses by year. You can see the surpluses are exploding. The reason for that is to get ready for the retirement of the baby boom generation. But what our friends on the other side of the aisle are doing with their plans is taking all of this money and using it to pay for tax cuts and other expenditures now, leaving the cupboard bare for the future. How are they going to pay back this money?

Mr. SARBANES. They are already talking about that around town. The other day, the Chairman of the Federal Reserve himself talked about cutting back on the benefits under Social Security.

Here is what has happened. It needs to be understood. There is a direct connection.

These large tax cuts that primarily benefit very wealthy people—there is some benefit for others, no question. The chairman talked about that today, but in the total picture of where the benefits are going, that is a relatively small portion. Most of the benefits go right up to the top group in society by income and wealth. They say we are running deficits, so to cover the deficits they have to use up the Social Security surplus. Then they say to correct the using up of the Social Security surplus, we have to cut Social Security benefits.

It must be understood, these things are linked. The reason they have the deficit which now says they must cut Social Security benefits is because they gave the very large tax cuts to the elite, producing the deficit, which resulted in drawing down the Social Security surplus which then leads them to say, we have to cut the Social Security benefits.

These are choices. This administration has made a choice. The choice the administration has made is to put tax cuts for the elite ahead of sustaining Social Security benefits. That is the choice they have made. It needs to be understood.

Does the Senator agree there is a direct connection in this regard?

Mr. CONRAD. Yes. I knew we were going to get into this debate at some point so I asked my staff to see if we could put together some charts and try to explain what is happening. It is the part of this discussion that has received almost no attention, and the Senator is exactly right. Here is what is happening.

We have a dramatic increase in people eligible for Social Security. This chart shows the number of Social Security beneficiaries exploding with retirement of the baby boom generation. This is the increase in people eligible. We will see in short order a doubling of the people eligible for Social Security.

The President told us repeatedly:

None of the Social Security surplus will be used to fund other spending initiatives or tax relief.

He broke that promise.

He said:

Every dollar of Social Security and Medicare tax revenue will be reserved for Social Security and Medicare.

He broke that promise.

Then he said:

We're going to keep the promise of Social Security and keep the government from raiding the Social Security surplus.

He said that in a radio address in March of 2001.

Then he said in 2002:

None of the Social Security surplus will be used to fund other spending initiatives or tax relief.

I went back and I said, let's add up how much money the President in his budget is taking from the Social Security trust fund. He is borrowing \$2.4 trillion. Compare that to the income tax cuts of the same period, \$2.5 trillion. Amazing how close these things are.

In effect, what he is doing is taking money from Social Security, raised by payroll taxes paid overwhelmingly by middle-income people. He is using it to fund tax cuts that are income tax cuts for overwhelmingly the wealthiest, and 33 percent of the benefit goes to the top 1 percent, those earning over \$337,000.

We have the spectacle of people, through their payroll taxes, funding an income tax reduction that goes primarily to the wealthiest among us and then creating a circumstance in which the Chairman of the Federal Reserve comes in and says, Oops, we are over-committed; we now have to cut Social Security benefits.

That is really kind of a stunning policy if one thinks about it, if you think about who is adversely affected when you talk about cutting Social Security benefits. Two-thirds of retirees rely on Social Security for more than half of their income; 31 percent get at least 90 percent of their income from Social Security; 50 percent to 89 percent of their income is 33 percent.

Mr. SARBANES. In other words, a third of the Nation's retirees get at least 90 percent of their income from Social Security, another third get from between 50 and 90 percent of their income from Social Security. It demonstrates how dependent retired people are on Social Security to keep them out of poverty so they can lead a reasonable life.

Mr. CONRAD. Chairman Greenspan now says we have to cut these benefits because we are overcommitted, because we have, in part, taken the money, the President has taken the money under his plan from Social Security to finance income tax cuts that have gone overwhelmingly to the wealthiest of the people among us. That is the reality we confront.

Interestingly enough, they say, you have the shortfall in Social Security which is \$3.8 trillion over the next 75 years. That is absolutely true. We have a shortfall in Social Security of \$3.8 trillion over 75 years. Interestingly enough, the cost of the President's tax cuts over that same period is three times as much: \$12.1 trillion.

Mr. SARBANES. Will the Senator yield?

Mr. CONRAD. I am happy to yield.

Mr. SARBANES. Does that chart mean if one-third of the tax cuts that are being proposed to be made permanent, if only one-third of them remain not made permanent, that would more than cover the shortfall in Social Security?

Mr. CONRAD. Yes. If you look at this chart, it goes back to the point the Senator was making about choices. This is all about choices. The choices the President has made are, yes, to have tax cuts in a time of economic weakness. That we could all understand and even support. We would choose a different package of tax relief than he chose. We would have targeted, clearly, more to the middle class because that would have given us more of an economic boost than diverting so much of it to the highest income in the country.

However, the President is digging a very deep hole. More and more debt. More and more deficits. Deficits that explode right beyond the budget window, right at the time the baby boom generation retires.

What happens? A future Congress and a future administration will have to make very tough choices, which I outlined earlier in my presentation. Very deep cuts in spending, very large tax increases, or some combination to fill in these holes. That is where I fault the President for taking us on a course that is reckless and fundamentally not conservative. This is a course that is reckless.

The Senator is right, we are talking about choices. These are the choices that are made in the budget.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Mr. President, I appreciate my distinguished colleague from North Dakota joining with me in this exploration of the implications of this budget.

I will talk about job creation for a moment, and to indicate any budget we deal with, which is the most important Government document we act upon, contains thousands of decisions that are critical to our national life. Those decisions reflect important choices in terms of the priorities for our country.

We have just been engaged in a discussion about tax breaks for the wealthiest among us. Are we more concerned with strengthening Social Security to make sure that people in retirement are adequately covered or making the necessary investments in education, transportation, and the environment? All of those decisions are involved in crafting the budget.

In its composite, the budget is a very important macroeconomic document because it sets the fiscal path for dealing with the overall economy.

We ask the question, Will the budget fund the programs, create jobs, and strengthen our economy? Will the budget have long-run structural defi-

cits? What will be the impact of those deficits on our future economic performance? Will it move us toward full employment or away from it?

We talked about the credibility of the President's budget and the fact that it fails to account fully for what the projections should be. We talked about the budget's failure to project for 10 years to show the full cost of making these tax cuts permanent, the failure to adjust for the alternative minimum tax, and the fact that the budget has zero in it for our involvement in Iraq and Afghanistan.

Who are they kidding? Everyone knows that our involvement in Iraq and Afghanistan is going to cost something. Then they say: Well, we cannot really estimate. They should make a good-faith estimate for inclusion in the budget. We are confronted with these facts, and again and again we are not getting the full picture. It is a little bit like things are under shells. If you lift off the cover, all of a sudden you discover another problem.

When the President proposed his first massive tax cut, he told us, "We can proceed with tax relief without fear of budget deficits." That is what President Bush said when he came into office.

In the first budget he submitted, he predicted, for fiscal year 2004—the year we are now in—that we would have a \$262 billion surplus. This was the President's prediction.

The following year, with a budget already in deficit, the President advocated another tax cut. At that time, he said, "Our budget will run a deficit that will be small and short term." And the President's budget at that time—that is, the next year—stated the deficit would be so short term that by fiscal year 2004—the year we are now in—the Government would be back in surplus by \$14 billion.

Last year, on the brink of war with Iraq, the President proposed yet another tax cut. He also submitted a budget that did not include the cost of the war. He predicted that the deficit for fiscal year 2004 would be \$307 billion.

Now, in 3 years, the President had shifted from predicting a surplus of \$262 billion for 2004 to the next year when he predicted a surplus of \$14 billion for 2004. Then, when he submitted the 2004 budget, he predicted a deficit of \$307 billion. So over the 3-year period, we went from a \$262 billion surplus, predicted for the year we are in, to a \$307 billion deficit. That is a change of \$569 billion.

It is pretty clear that although the President said, when he submitted the 2004 budget, he was predicting a deficit of \$307 billion, it looks now as if the 2004 deficit will be about \$520 billion. That is \$780 billion more than the President predicted in 2001, \$535 billion more than he predicted in 2002, and \$214 billion more than he predicted when he sent this year's budget—the budget we are in—to the Congress.

So we are told we can do these big tax cuts and that it will not matter because we are not going to have a deficit. And here we are deeply in the hole.

What is the consequence of this? Some might say: Well, he is producing jobs. We had an economic slowdown, and now we are producing jobs. We are putting the country back to work.

Let's look at those predictions and what has actually happened.

In the 2002 Economic Report of the President, the administration forecasted that in 2004 the economy would have 138.3 million jobs. Last year, the President lowered that estimate to 135.2 million jobs. And in his most recent economic report, he lowered it again to 132.7 million jobs. In other words, in just 2 years, the forecast for jobs in the country has been lowered by 6 million.

When the President passed the 2003 tax cut, the administration predicted that by January 2004, the economy would create over 2 million jobs. In the fall of 2003, Secretary Snow predicted the U.S. economy would create 2 million new jobs from the third quarter of 2003 until the third quarter of 2004—an average of over 200,000 jobs a month.

What has happened? We just got the figures on Friday for the month of February. For the month of February, it was reported that the economy created 21,000 new jobs in February—21,000—none of them in the private sector, incidentally; zero private sector jobs were created.

When Secretary Snow made this prediction of just over 2 million new jobs last fall, we would have needed an average of about 200,000 new jobs a month in order to meet his prediction. The performance has been so dismal, we have only averaged 59,000 new jobs per month over the last 2 months. We have to produce jobs 444,000 a month from now until the third quarter of this year for Secretary Snow's prediction to be borne out.

The economy is not creating these jobs. We face a real difficult jobs situation.

Mr. CONRAD. Will the Senator yield on that point?

Mr. SARBANES. Certainly.

Mr. CONRAD. I was looking at this same data, looking at the President's claim that they are going to create 2.6 million new jobs, and looking at where we are since they made that prediction. It is quite stunning.

In February, of these new jobs that were created, some 20,000, as the Senator indicated, not a single one was in the private sector, not one. The whole assertion by the President, on his tax cut plans, has been, if you cut these taxes, you will get more jobs. He was not saying more jobs in Government; he was saying more jobs in the private sector. Yet the only new jobs we got in February were in Government. They were Government jobs. There was not a single new job in the private sector.

So if the President's plan is working, I do not see the evidence for it. The

evidence is, it is failing, and it is failing by a big margin.

I believe one of the reasons maybe it is failing is that the tax cuts he chose were tax cuts that were geared to the highest income people, overwhelmingly.

The Senator might be interested to know, I put up a chart that showed, for 2006, the average tax cut going to somebody earning over \$1 million a year is \$140,000.

Mr. SARBANES. The tax cut alone.

Mr. CONRAD. The tax cut for that year alone, 2006. Under the President's plan, the tax cut for those earning over \$1 million a year is \$140,000.

The average middle-class individuals, those who are in the middle 20 percent of the income spectrum—you break it down into five 20-percent groupings—the middle 20 percent, they get about \$560 of tax benefit in that year. The person earning over \$1 million gets \$140,000.

If you were going to put it on a graph and have the two related—the tax cut for those in the middle 20 percent and those earning over \$1 million a year—the chart would have to be 35 feet tall to make a comparison between what the wealthiest get and what the middle class get.

Maybe that is part of the reason this JOBS program is not working, because it has been so tilted to the highest end that we are not getting money into the hands of middle-income people who would be more likely to spend it, thereby spurring the economy.

Mr. SARBANES. Well, I say to my colleagues it is classic trickle-down theory. It has been discredited before. Yet here it is back before us again, classic trickle-down economics. Every administration since Herbert Hoover, which was, of course, classic trickle-down economics, Democratic and Republican, has had a net creation of jobs over the course of its administration. In other words, over that 4-year period, every administration were able to have a net gain in jobs.

This administration is about 2.3 million jobs below where the Nation was when they came into office—down about 2.3 million jobs. It is the first administration since Herbert Hoover that will not show a net gain in jobs over the course of its 4-year tenure. That fact needs to be laid out before the American people.

This recession we experienced began 35 months ago, the first few months into the Bush administration. The economy today has fewer jobs than it did then. This is the first recession since the Great Depression in which the economy failed, over a 35-month period, to recreate all the jobs that were lost in that recession. In a typical business cycle, we long ago would have recouped those jobs and gone on from there. That has been the case—and this is a long time period—in every recession we have experienced since the Great Depression.

But here we have a situation in which jobs are not being created to

close the gap, and there is no real prospect, in the few months remaining, of meeting Treasury Secretary Snow's prediction. To do so, we would have to average about 444,000 jobs per month out into the fall of this year. Over the last 3 months, we averaged only 42,000 new jobs per month, as opposed to 440,000.

This, of course, raises a number of difficult problems. We have seen manufacturing jobs continue to fall and they have now fallen for 43 consecutive months. We see temporary jobs increasing. We see people dropping out of the labor force. Last month, 392,000 people left the labor force. People come in and say, you know the unemployment rate didn't go up. But if people drop out of the labor force and are not looking for work, they are not counted as unemployed. One of the reasons is they become so discouraged they drop out. That helps to keep the unemployment rate flat, but the exodus from the labor market is reflected in the job figures.

Mr. CONRAD. Will the Senator yield on that point?

Mr. SARBANES. Yes.

Mr. CONRAD. I was reading the New Yorker magazine last night and they had two guys talking. One said:

I have quit looking for work; I understand that will help the economy.

Well, it will help the economy because they quit counting him. That is the point the Senator is making. The Senator wasn't on the floor when I showed this chart. I would like the Senator to see this because it really makes a point he is making. This looks at the last nine recessions since World War II, what happened in terms of job production. The Senator was making the point we are now 35 months into this recession, and that is right here, this line, which shows the job recovery this time compared to the last 9 recessions. You can see, in every recession since World War II, 17 months after the peak of the business cycle, job recovery started in a very healthy way. This time, it has not happened. We are 35, 36 months past the peak of the business cycle. Now we see we are 5.4 million jobs short of the typical recovery.

If that isn't a warning sign to all of us that something is wrong here, something is not working here—after every recession since World War II we saw a healthy job recovery beginning 17 months after the business cycle peak. Now we are at 36, 37 months past the business cycle peak and we still are not seeing job recovery.

Mr. SARBANES. If the Senator will yield, it is not only that we have not been able to get up to here, we have not been able to even get back to the jobs we had at the beginning of the recession. We are still well below, about 2.3 million jobs, where we were when the recession began in the early months of 2001, absolutely.

Mr. CONRAD. The chart says "smallest share of the population at work since 1994." That is really stunning. My

colleague, the chairman of the committee, talked about having more people at work than ever before. That is one way of looking at it. Another way of looking at it is, what is the share of our population at work. Of course, more people are at work; we have a much larger population than we have had before but jobs have not grown. If you look at the percentage of the people who are at work, we are at the lowest we have been in 10 years—the smallest share of the population at work since 1994.

I have another chart that shows the duration of unemployment, which is the highest in over 20 years. That is, when people become unemployed, they are taking the longest they have taken in 20 years to find a new job. Something is not right here. Anybody who comes out on the floor and asserts everything is fine, the economy is growing, jobs are being produced—no, no, no, things are not fine. There is something very seriously wrong in this recovery. I just had a gentleman, I said on the floor earlier, in business who told me, “Senator, there is something very different from what we have seen in different recoveries.” He is in the machine tool business. He said, “We should see our order books filling up, and they are not.” He said, “I suspect that the jobs being created are in China, Mexico, and India, and not here.”

That goes right to the heart of the point the Senator was making.

Mr. SARBANES. The last chart my colleague presented is an extremely important one because it shows the percent of long-term unemployed among the unemployed is at record levels, higher than it has been since 1984. In fact, close to 23 percent of the unemployed workers have been unemployed for more than 26 weeks. It has been above 20 percent now for 17 consecutive months. For a year and a half, the percent of unemployed who are long-term unemployed is above 20 percent, which is an important benchmark. The last time we had a period that ran that long was 20 years ago. The Senator's chart showed exactly that. That was back in 1984.

That is why this effort that has been repeatedly made on the floor of the Senate and in the committee just last week to address extending unemployment insurance benefits is so important. That effort has been turned back. I plead with my colleagues on the other side to move ahead on extending unemployment insurance benefits.

We still have a serious labor market weakness. We have not recovered the jobs. It is not as though you could say a lot of job opportunities have opened up and people can go back to work. That has not happened in this instance.

Long-term unemployment is at record levels. Nearly 2 million people have been unemployed for more than 26 weeks. Twenty-six weeks is the period that the traditional unemployment benefits cover. In the past, we have al-

ways extended unemployment insurance benefits so people can meet the problem of providing for their families. We have actually provided more benefits in the past than we have in this recession.

In the previous Bush administration, the program was extended and then extended again. We built up the unemployment insurance trust fund for this purpose: to fund these benefits when we encounter an economic downturn. There is over \$15 billion in the unemployment insurance trust fund specifically collected for the purpose of paying unemployment insurance benefits in an economic downturn.

I joined with my colleague in the committee the other day to offer an amendment to make a provision within the budget for extending unemployment insurance benefits. Regrettably, it was turned down on a straight party-line vote. I anticipate that amendment will be offered again on the floor, and I hope my colleagues will reflect upon it before that occasion arises.

We need to do something. These are people who were working. You cannot collect unemployment insurance benefits unless you have a work record that entitles you to collect them. These are not, if you want to say, malingerers or people who don't want to work. These are people who had jobs. They lost their jobs through no fault of their own. If it is their fault, they cannot get unemployment insurance benefits. If they are to blame, if they have not performed on the job, they do not get unemployment insurance benefits. These are people who were working, in many instances had a long working career. They are out of a job. They are in a labor market where jobs are not being created, as my colleague dramatically illustrated with the chart he showed. How are they going to provide for their families? What are these responsible, hard-working Americans to do in terms of meeting the needs of their families?

Yet we have been turned back on the effort to extend unemployment insurance benefits, and I very much hope when the issue comes before us that Members will reflect and agree we need to do something about this pressing problem.

I will make a couple more points before I close.

This fiscal situation of the United States in which we find ourselves and the magnitude of it has drawn very sharp comment from objective observers. Listen to what the IMF said only recently:

U.S. Government finances have experienced a remarkable turnaround in recent years. Within only a few years, hard-won gains of the previous decade have been lost, and instead of budget surpluses, deficits are again projected as far as the eye can see.

Let me repeat that. This is the IMF commenting about U.S. Government finances:

Within only a few years, hard-won gains of the previous decade have been lost, and instead of budget surpluses, deficits are again projected as far as the eye can see.

The President says he is going to cut the deficit in half by 2009. My colleague pointed out, I think with great perception, that was not in the cards. It is not sustained by the numbers.

If we are going to have a debate, we cannot just play around with the numbers as though they do not mean anything. We have to have some hard facts upon which to work. These structural deficits that are built in this budget are extremely harmful to the economy as we move ahead—a promise to raise interest rates, reduce economic growth, decrease the number of jobs, increase our vulnerability to a sudden economic crisis. A responsible budget would not encompass a structural deficit, and if there is a structural budget deficit, a responsible budget would seek to correct the imbalance.

I could go on at some length about the choices made within the budget with respect to what our priorities ought to be, but I make this fundamental point: In every instance, there is a choice. You do not make one decision, for instance, to cut taxes for very wealthy people which then results in a larger deficit and then turn around and say to educators who say, We cannot carry through on the No Child Left Behind legislation, that there is no funding to address your complaint. That complaint is coming from all over the country. Out in the Rocky Mountain States, we have educational officials telling us they cannot carry through on that program. They are making that point very forcefully.

I was reading about it only today or yesterday in the paper. They said: We can't carry through on it. They are told, We can't carry through on it because we have this deficit to worry about. Why do we have the deficit to worry about? We have this big deficit because we are doing these big tax cuts for wealthy people. So the choice that was made in the President's budget was to do the tax cuts for the elite rather than fund the No Child Left Behind program. That was the choice.

I think that is a bad choice. I think the country thinks it is a bad choice. But there is a need to understand when you put this budget together, whatever you do on the one hand has an impact on the other hand. You cannot avoid that.

If you did not do these extensive tax cuts—which the President wants to make permanent—with those huge costs, the deficit would not run up; you would be able to hold the deficit down and do something about education and health care. But the President has put the Nation in an absolute deficit bind.

Mr. CONRAD. Will the Senator yield?

Mr. SARBANES. Certainly.

Mr. CONRAD. As part of my presentation earlier, I showed this tradeoff very directly. If we look at 2005, the cost of the tax cuts for those who are in the top 1 percent, those who earn over \$337,000 a year, for the 1 year it is \$45 billion. The amount the President is shorting No Child Left Behind for that same year is \$9 billion.

In fact, this is the chart. Ask and ye shall receive. This kind of reveals the President's priorities. Mr. President, \$45 billion is the cost of the Bush tax cut for those making over \$337,000 in 2005.

Mr. SARBANES. I think that is less than 1 percent of the American public; is it not?

Mr. CONRAD. The top 1 percent earns over \$337,000. That costs \$45 billion. But he does not have the money, he says, to fund No Child Left Behind.

Mr. SARBANES. What that says is he could fund No Child Left Behind and he would still have \$36 billion left of the tax cut; is that right?

Mr. CONRAD. That is exactly what it shows. It shows he would only need to reduce the tax cut to the wealthiest 1 percent by 20 percent in order to fund No Child Left Behind.

I said earlier I am in this category. We are very fortunate. My wife and I are in this category. I asked myself, would I be willing to give up 20 percent of my tax reduction to fund No Child Left Behind? I would, because it is the future.

Chairman Greenspan has said if we are looking ahead to the competitive position of our country, the absolute key is education. Our people have to be the best educated and the best trained if they are going to succeed in this highly competitive global environment.

This is about choices. The President is saying it is more important to have all of this \$45 billion tax cut for those earning over \$337,000 than to take even one-fifth of it to provide for better education in the country. I do not think that is the right priority. I think the Senator is correct.

Mr. SARBANES. There are other examples of this. I offered an amendment in the Budget Committee to fully fund the firefighter grant program. That amount is \$900 million—not billions as we are talking here but just \$900 million. Two years in a row, the Congress has appropriated \$750 million. So we have not appropriated the fully authorized amount but we have gotten up fairly close to it at \$750 million.

The President's budget submitted to the Congress had \$500 million. In other words, it cut the program by one-third, \$250 million, from the level it had been for 2 successive fiscal years. These are grants that go out to firefighters across the country to try to enhance their professionalism, upgrade their equipment, better prepare them to deal with the threats we confront.

One of the things we are very anxious to deal with is that one-third of all the firefighters in the country do not have the equipment, the breathing equipment to protect them in a serious fire, from smoke inhalation. That is one of the things we would like to take care of. Yet the President's budget proposed to the Congress cut the funding for this program by one-third.

The President is now running political ads showing firefighters on 9/11

moving out of the wreckage, and there is a stretcher with a flag on it. We know what the firefighters did. We know the heroism they have shown.

Every year, I go to the National Fallen Firefighters ceremony, which is held at the National Fallen Firefighters Memorial, which is in Emmitsburg, Maryland, the location of the U.S. Fire Academy. Families come from all over the country. There is a weekend of events and ceremonies to mark the memory and the heroism of fallen firefighters. The year after 9/11 we could not do it in Emmitsburg. There were too many people and so the ceremony was held at the MCI Center in Washington because the number jumped so tremendously as a consequence of those deaths in New York.

In money terms, that is not a big item, but in its significance and in what it stands for, I think it is very substantial. We know our first responders place themselves at risk. They are the first called upon.

There were firefighters going up the steps of the World Trade Center in an effort to rescue people when people in the building were coming down the steps in order to escape. In effect, they were placing themselves in further danger in order to save their fellow human beings. They did not know these people. They were all strangers to them but they were responding to their duty. It is extraordinary when we stop and think about it.

The impact of it is obviously recognized by some of the President's people because they are putting it in this political ad. But I would like to see them take the program up to \$900 million to do the firefighter grants so we could provide firefighters across the country with the protective equipment which they need as they carry out this very dangerous occupation. That would require only \$400 million. The President's tax cuts provide \$45 billion for the top 1 percent. Will the top 1 percent, those making over \$337,000, who are getting an enormous—what is the tax return they are getting? Does the Senator have that figure in his mind, \$120,000 or something?

Mr. CONRAD. That is those earning over \$1 million.

Mr. SARBANES. Those earning over \$1 million get \$127,000 per year. As a category, they get \$45 billion. Would they be willing to reduce that to \$44,600,000,000 in order that we could fund these firefighter grants at the full authorization level of \$900 million instead of the \$500 million that is in the President's budget, which itself represented a cut of \$250 million from what Congress had appropriated in each of the other 2 years?

Is it unfair, inequitable, unjust to say that in the order of priorities, funding those firefighter grants should come ahead of a small portion of these tax cuts for those making \$337,000 a year? I defy anyone to argue the equities of that case.

That is why this is not a good budget. That is why we voted against it in the

committee and that is why over the coming days, under the leadership of our very able colleague from North Dakota, we will put before this body—I and others and certainly the Senator from North Dakota himself—amendments that will frame the choice in terms of priorities. Those are the choices we need to face. Let's put the choices out there.

Do my colleagues think it is reasonable to take a small portion of this tax cut and use it for this purpose, or must every single penny of what the President is seeking for the very elite go to the very elite, despite these other pressing needs?

As I understand it, in the coming days this week, opportunities will be presented to offer amendments which will frame those choices. The Senator has framed one. Everyone talks a good game about education, including the President. The question is, will you put the resources there to do the job?

As the Senator points out, fully funding education is more costly than the example that I have been citing. But nevertheless, for just over \$9 billion we could fully fund No Child Left Behind, which would address what we are hearing from the States, who are saying now, We can't do this job. You have saddled us with a job without the resources. The \$9 billion is one-fifth of this tax cut that is going to those making over \$337,000 each and every year.

Those amendments framing those choices need to be put to this body. I look forward to the responses my colleagues will make to them.

I yield the floor.

The PRESIDING OFFICER. The Senator from Idaho.

Mr. CRAPO. Mr. President, I would like to take a few moments to respond to some of the comments that have been made. I have been listening to the debate for the last 3 or 4 hours. It brought back a lot of memories to me.

I ran for Congress about 12 years ago, to the House of Representatives. I got elected and spent 6 years there before I then ran for the Senate. In my first race for the Congress we had a giant deficit. We had deficits in the hundreds of billions of dollars range for years. I ran on a platform of balancing the Federal budget. This is the debate we had at that time.

First, there were those who said you can't balance the Federal budget or, if you could, it would be bad for the management of the Federal budget and we couldn't run the Federal Government very well if we didn't use deficit spending. That argument was debunked when, after about 6 or 7 years of effort starting in about 1994, we did balance the Federal budget. Frankly, we did very well running the Federal Government, paying down the national debt, and making a lot of fiscal progress.

The other argument that was made back then when I ran for Congress, and which is still being made and is the argument that is being made today, only in a different way, was we had to have

higher taxes and higher spending in order to have a successful society in America. We could not stop the tax increasing, we could not stop the increased Federal spending, because it was best for all Americans that we have a large, powerful, centralized Federal Government that had increasingly more control over the economy; that we nationalize our health care system; that we increasingly find Federal solutions to problems as they exist throughout society; and that the private sector simply could not provide the solutions that were needed.

It was the age-old battle of taxing and spending and a centralized, large, powerful Federal Government versus those who believed we should get the tax rates reduced, lower the tax take of this Federal Government from our economy, let the economy have the stimulus that would thereby be generated by letting people and businesses have more control of the individual decisions about the use of their resources, and try to control the deficit and the size of the Federal Government by controlling spending.

Those were two objectives for which many of us fought. I was there in Congress when we fought for and got a balanced budget. The first objective was to balance the Federal budget, to stop spending more than we were raising in revenue. The second objective was to reduce the size of the Federal Government. Many of us felt it had grown too large, that its reach was too far, and that it impeded the ability of the American people to have the kind of choices in their own lives, in their own businesses, they needed in order to achieve the American dream. It was a classic, age-old battle in American politics, and we are hearing it on the floor today.

As I have listened during the last number of hours, I have heard attacks primarily on the President. There has not been a lot of mention of the actual budget that is on the floor today. There has been some, but not a lot. Most of the attacks have been on the President, saying the economy is in bad shape, we don't have as many jobs as we want, we have a terrible circumstance facing us fiscally in this country, the deficit is high and we need to do something about it. It has been posed here that everybody should see we have a problem and, in fact, I think we all do see we have a problem. But as I have been listening to the solutions that have been proposed by those who attack the President, I have seen two solutions. One is they attack the tax cuts in the last 2 or 3 years and apparently would like to see those taxes raised. In other words, increase taxes. That is one of the proposed solutions. The other solution is spend more money.

There are a lot of very important programs that will be brought up. Some have been brought up today. Others will be brought up throughout this week.

As we debate this budget, I think you will see it will come down to that age-old argument I debated when I first ran for Congress 12 years ago and that we have debated virtually every year in one guise or another since that time. There will be those who want to blame every problem we have in this country on the fact we cut taxes a few times in the last 3 years and that we are not spending enough money in the Federal budget, that we need higher taxes and more spending, and that will solve our social and fiscal ills.

There are others of us who will argue that by cutting taxes we are able to stimulate the economy, stimulate investment in capital, give people the ability to consume, and thereby give greater confidence and strength to the economy, and certainly give people more control over what happens with the dollars they earn than they would have had if they were taxed on those dollars and sent those dollars to Washington.

The budget we actually have before us today is one that does maintain our effort to stimulate our investment in capital. It does give and strengthen and protect the tax relief to all taxpayers so we can have stronger consumer spending and stronger consumer confidence. It builds up and focuses on strengthening the infrastructure, especially in our rural areas where we need so much to have a strong investment in the infrastructure so we can have stronger economic development potential. This budget focuses on controlling spending.

Remember, I said there were two objectives we fought for early on. One was to balance the budget, the other was to control the immense growth of the Federal Government. You can actually balance this budget by simply raising taxes. It is a mathematical calculation. You figure out how far you are out of balance, how much spending you have done beyond your means and beyond your revenue, and raise taxes to meet it. You can balance the budget. But by doing so you have totally ignored one of the more important priorities we should have here, and that is to identify the right size of the Federal Government; to recognize the tenth amendment that said there was an important role for the Federal Government, but that those powers not specifically given to the Federal Government were reserved to the States and to the people respectively. That is the kind of debate you will see played out in one context or another throughout the remainder of this week.

It has been said there is no provision for the war against terror in this budget. Actually, the budget we are debating on the floor today provides for a \$30 billion threshold for a supplemental appropriation for our spending, if we need it, in the war against terror.

It has been said the tax cuts that were passed by this Congress in the past few years are the problem we are dealing with today. I think that is in-

teresting because I believe most Americans realize the tax cuts that were passed in the last few years all had expiration dates on them because, as a result of some of the procedures here in the Senate, we could not get permanent tax relief. So those tax cuts over the next 10 years are going to start expiring. The first three of those tax cuts to expire, to go away, will happen this year. If this budget is not adopted, then the people who got that tax relief are going to lose it and their taxes are going to go back up.

To listen to the debate you would think the tax relief that was passed by this Congress was solely focused on the wealthy.

As a matter of fact, it has been pointed out that because the wealthy in this country pay so much of the taxes, when there is tax relief they get a large part of the tax relief that comes back to them. But the tax relief we passed was weighted percentagewise more for the lower and middle classes. You can either look at it in terms of dollars or in terms of percentages. But the percentage the wealthy pay of the income tax in this country went up after the last tax cut—not down—because the greater percentage of focus was on the middle and lower classes.

It is three of the taxes that hit and support those middle and lower classes that are coming up for expiration this year. The first is the expansion of the 20-percent income tax bracket by expanding the amount of income tax at the 20-percent level. We gave a broad level of tax relief to those who pay the lowest level of tax in this country. That will expire this year if this budget is not adopted.

The second is the marriage tax penalty. The elimination of the marriage tax penalty will expire this year if this budget is not adopted.

Third, the \$1,000 child tax credit.

Those who stand on the floor here and say all the tax relief we passed in the last few years is devastating this economy are going to get a chance to vote this year on whether to let those tax cuts stay in place. I predict the support on both sides of the aisle for maintaining those tax cuts is going to be very broad. Those tax cuts were directed at those in the very middle and lower income classes which the tax relief bills focused on in an effort to reform the code.

But then it is true there were other parts of that tax relief which did benefit those who are in upper income brackets. If you listen to the debate today, I guess you would assume if we went back and eliminated those tax cuts, the economy would be fine, employment would go back, the deficit would be eliminated, and probably all other ills we have heard about today would go away.

What are these tax cuts we are talking about? There are a number of them. But one of the most important, in my mind, was cutting in half the tax rate on dividends, undoubtedly one of the

strongest things we could do to encourage investment in the capital structure in our Nation.

Another was the acceleration of depreciation for small businesses so they could get a little bit better handle on growing their small businesses rather than sending their small business revenues to the Government in Washington.

Another was to give those sole proprietorships—those small businesses that were sole proprietorships—the opportunity to have their tax brackets reduced.

I believe if you eliminate those tax relief measures, you are going to reduce the ability of our small businesses in this country to be resilient and you are going to reduce the investment in capital in this economy, and you will see the strength of the economy go down, not up.

But that is the debate we are having over whether we should have more taxes and that is better for the economy or whether we should have reform of our Tax Code and reduce taxes in those areas that discourage proper tax policy.

I would like to talk for a minute about what did happen.

Again, to hear the debate in the last few hours you would think the entire economic difficulty we face today in our Nation is a result of that portion of the tax relief we gave previously which went to those who were not in the lower and middle-class tax categories. What in reality happened was we had a stock bubble growth in this country that popped. The confidence in the stock market dropped precipitously. Following that, there was an attack on 9/11 in which terrorists attacked us on our homeland soil in one of the rare times in the history of our country where that has happened. As a response to that, the economy dipped even further. Consumer confidence waned. Following that, we have had some scandals—some debacles with the WorldCom problem, the Enron problem, and consumer confidence in the marketplace went even further into the tank and the economy started dipping even further.

Frankly, to blame all of the problems we have had on tax relief for the wealthy is a vast oversimplification. What happened as a result of all of these things is the economy went way into the tank, and revenue to the Federal Government went through the floor. As a result of that, we did not have the kind of revenue we had projected we would have.

In addition, our spending went through the roof. We responded to the war against terrorism by rebuilding New York and Washington, DC, giving support to those who had been attacked here on our homeland soil by developing a new Department of Homeland Security, increasing the measures and the support we put into defending our homeland, and we have prosecuted a war against terror across the globe

which has involved two wars, not to mention the overall extent of the cost of fighting terrorists on many fronts. As a result, spending has gone through the roof.

There is one other thing, by the way, that made spending go through the roof. About two-thirds of the Federal budget is on autopilot, mandatory spending this budget can't control with much success, and that simply goes on growing regardless of the state of the economy. The entitlement programs of this country have an autopilot status that causes increased growth regardless of what is happening in the economy. That is another one of the big pressures on the spending in Washington.

Those are the things that are really going on here which we ought to be debating. But instead, it is a Presidential election year and everything is the fault of the President because he cut taxes, because he won't support enough new spending. The President would love to support spending on all of the pet projects and all of the very important and valuable items in the budget which because of these deficits we face he has had to control. The President, I am sure, would love on a number of these issues to support additional funding. But he has said that outside of our national defense and outside of our homeland security, he is going to try to hold the growth of the spending at the Federal level to less than one-half of 1 percent on the rest of the budget. He is going to do so because in addition to recognizing we have to deal with our deficit problems through good tax policy and through stimulation of the economy, because it is a strong economy that will help us get out of this, if anything will, he also recognizes the other side of the coin is we have to solve this problem through focusing on the spending side of this budget.

Last year, when we had a similar budget before this Congress and before this Senate, we had something in the neighborhood of 80 amendments to the budget. I would bet there are going to be dozens and dozens of amendments to this budget. Last year we defeated most of those amendments because we had budget points of order and a requirement of 60 votes in order to break this budget. Last year, we defeated almost every one of those 80 or 81 amendments. If my memory serves me correctly, there was something in the neighborhood of \$800 billion in new spending over a 10-year cycle in those 80 to 81 amendments which we defeated. Certainly, every one of them had a constituency, every one of them had a valid reason why it was a good proposal for a good cause for some spending to be made. But we had to try to control this deficit. That is what we did. That is what we will do again.

I am sure as these proposals are made and as efforts to attack this budget are made, almost all of them will be couched in the argument that it is the tax cut on the wealthy which has made

this problem for us, and simply taxing the wealthy more will solve this problem for us. We can tax the wealthy and spend the money and we will be fine in this country.

You can only pursue that line of thought to a certain point. I am sure it has already been said here on the floor by others, but that top 1 percent and that top 5 percent already pay the vast majority of the income tax in this country. The last tax relief we gave made their percentage share of the taxes in this country grow, not go down. At a certain point, we have to realize we will have a strong economy, and we will have a strong Federal budget if we hold the line on tax increases and hold the line on spending and pay attention to both balancing the budget and trying to maintain the correct size of this Federal Government.

There are many more things that need to be said. I unfortunately have an appointment in just a few minutes to which I have to go. But there will be a lot of debate that will go on during this week as we clash over the proper fiscal policies of this Government.

I encourage everyone in this country who listens to the debate this week to listen to it with an understanding of what is really being debated. It is the age-old fight between those who want higher taxes and higher spending and a more powerful, centralized Federal Government with an increasing reach into the economy, and those who want to keep taxes lower, who believe that is a stimulus to the economy, and who want to downsize and rightsize the Federal Government. In one way or another, virtually all of the debate we will have this week will focus on that issue.

I yield the floor.

The PRESIDING OFFICER (Mr. THOMAS). The Senator from North Dakota.

Mr. CONRAD. Mr. President, my colleague keeps referring to pet projects. We on our side do not believe it is a pet project to educate the children of this country. We on our side do not believe putting cops on the street is a pet project. We do not believe funding our firefighters is a pet project.

But I am very glad the Senator has talked about the record on debt. Here is the Republican record on debt. When the President took office, the projection for the publicly held debt was \$36 billion. In the President's 2002 budget, that increased to \$1.2 trillion. After his tax cut passed, that increased to \$1.6 trillion. In the President's 2003 budget, the debt went up to \$3.3 trillion. In the President's 2004 budget, it went up to \$5 trillion; with the Senate GOP budget for next year, \$5.5 trillion.

If our friends want to have a debate about who is responsible for the growth of the debt, it is squarely on their shoulders. Their budgets have passed. They have shredded this deficit and debt. They can say they are interested in fiscal responsibility. They have not

walked the walk and they have not voted the votes.

I wish our colleague had not had to leave because he has come back with this old canard that I heard again in the committee saying that we offered amendments that added to the debt last year, or would have if only the Republicans had not defeated them. The problem with that argument is it is not true.

Here is what happened. Democratic amendments on the Budget Resolution were all paid for last year, and more than paid for, so that we would actually reduce the deficits, reduce the growth of debt. If you took all of the amendments we offered, they did not increase the deficit. No, no. Let's go to the record. What actually happened? Our amendments on the Budget Reso-

lution would have reduced the deficit by \$687 billion.

I am so glad the Senator brought this up because I have a list of every Democratic amendment to the Budget Resolution, that I will print in the RECORD, offered last year, what the cost was, and what the offset was. If any Member wants the opportunity to go back and check the record, here is their chance. What they will find is on every amendment, Democrats paid for their amendments, and Democrats also included deficit reduction. At the end of the day, if all of our amendments would have been adopted, we would have reduced the deficit by \$687 billion.

In addition, our friends on the other side are trying to rewrite history. They are trying to act as though our amendments last year were a package. They were not a package. They also want to

act as though they were amendments for 10 years. Half of them were not. Half of them were 1-year amendments. In each and every case, we not only paid for our amendments on the Budget Resolution, we had additional deficit reduction.

For example, Senator BIDEN offered an amendment to fund the COPS Program, \$1 billion in cost, and he provided \$2 billion of offset. He paid for the amendment, plus he provided \$1 billion of deficit reduction.

I ask unanimous consent to have this printed in the RECORD so hopefully our colleagues will not keep repeating these false claims they have made in the past.

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

DEMOCRATIC SPENDING AMENDMENTS TO 2004 SENATE GOP BUDGET PROVIDED FOR \$687 BILLION IN DEFICIT REDUCTION OVER 10 YEARS

(Dollars in billions)

Amendment No.	Sponsor	Purpose	10-year spending	10-year offset
278	Biden	COPS	\$1,000	—\$2,000
281	Kerry	HIV/Global Aids	0.797	—1,592
284	Murray	Fully Fund NCLB Act	8,900	—14,664
294	Graham	Prescription Drugs	219,000	—395,832
299	Schumer	Homeland Security	79,320	—158,511
300	Lautenberg	Restore Defense Cuts	88,030	—88,030
311	Kennedy	Pell Grants	1,800	—1,800
315	Kennedy	Unemployment Insurance	16,300	—16,635
318	Leahy	First Responders	3,000	—6,000
324	Lincoln	TRICARE	20,279	—20,279
328	Wyden	Fire Management	0.500	—0.500
341	Reid	Concurrent Receipt	12,764	—12,764
343	Hollings	Port Security	2,003	—2,003
357	Kennedy	Expanded Health Coverage	38,000	—38,000
361	Daschle	Indian Health Service	2,871	—2,871
372	Levin	Restore Education Cuts	2,668	—4,685
376	Conrad	IDEA	72,880	72,880
381	Clinton	First Responders	3,500	—7,000
382	Cantwell	Job Training	0.678	—0.678
385	Dorgan	Veterans Affairs	1,014	—2,029
387	Byrd	Amtrak	0.912	—0.912
395	Dorgan	Homestead Venture Capital	3,567	—3,567
396	Harkin	Rural Health Care	25,000	—25,000
409	Dayton	IDEA	193,246	—386,554
415	Dodd	Head Start/After School	37,871	—75,742
417	Bingaman	Child Care	8,758	—8,758
418	Clinton	First Responders	4,500	—9,000
419	Dodd	Firefighting Grants	11,866	—23,730
421	Murray	Education	2.00	—2,000
423	Corzine	Environment	10,661	—10,661
424	Clinton	Vocational Education	3,102	—3,103
425	Harkin	Restore Education Cuts	20,660	—20,660
429	Landrieu	Imminent Danger Pay for National Guard	3.00	0

Mr. CONRAD. Every single time I have heard our friends on the other side claim the Democratic amendments to the Budget Resolution would have increased the deficit, it is absolutely false. Go back and read the amendments. The deficits would have been reduced under our amendments because we provided fully the offsets for each of those amendments.

We can go down the list. In fact, I had an amendment to fund IDEA and completely paid for it. Senator LAUTENBERG had an amendment restoring the defense cuts. Members will recall, there were defense cuts last year. Senator LAUTENBERG fully funded defense and provided the money to do so. On homeland security, there were increases offered to better protect the country. It was fully paid for, plus an amount for deficit reduction. Every single amendment was fully paid for. Accumulate the totals, it is \$687 billion of deficit reduction.

Our friends on the other side talked about the record on deficit reduction. I

am glad he did because here is what has happened to the deficits over time. We can see on this chart going back to 1969, the last time we had record deficits was in the administration of the previous President Bush. President Clinton came in 1992, and we can see the deficit went down each and every year until we were back in surplus. It was only when this new Republican President took office that we again went back into deficits and now have gone into record deficit territory, the biggest deficits in the history of the country.

Here is what has happened to Federal spending. The Senator from Idaho wants to posture this as a question of spending, who is responsible for spending, and that spending is the reason we have deficits.

No, we have deficits because we spend more than our income. Deficits are a function of spending and revenue, not just a factor of spending but a question of spending, the relationship between spending and revenue.

This chart shows going back to 1981 spending as a share of our gross domestic product. Go to 1992 when a Democrat took control, and what happened to spending as a share of our gross domestic product? Spending went down each and every year from about 22 percent of gross domestic production to 18 percent of gross domestic production. Spending has now gone back up with our friends on the other side in charge of the White House. And I don't fault them for the increases; 91 percent of the increases in spending were for defense, homeland security, and responding to the attack on September 11. We all supported that increase in spending, as well we should have. We had to defend this country.

However, I remind my colleagues, when Democrats were in charge in 1993, we put in place a 5-year deficit reduction plan without a single Republican vote, and we reduced spending each and every year of that 5-year plan. In 1997, we had a bipartisan plan. Thankfully, that was a nice moment in time. We

had a bipartisan agreement. We continued to take spending down. Spending has now bumped up because of what has happened.

Let's look on the revenue side. On the revenue side, again, President Clinton came in and revenue went up. It was that combination of spending going down under the Democratic plan, and revenue going up that got us back into balance, and stopping the use of Social Security for other purposes. That is the Democratic record on spending and revenue. We lowered spending. We raised revenue so that we balanced the budget, and stopped the raid on Social Security.

Our friends on the other side have raised spending—and I don't fault them for that because it had to be done to respond to the attack on this country—but they also dramatically cut revenue. Here is what has happened to revenue. It has been shredded. We will have the lowest revenue this year as a percentage of GDP since 1950. It is that combination of increased spending and reduced revenue that has mushroomed the deficits.

Let's be honest. I don't think the deficits we are facing at the moment are the basis for our strongest criticism of the President's proposals. Anyone who is honest would acknowledge once we had been attacked, once we had to increase defense spending, increase homeland security spending, the economy took a hit, we would expect budget deficits.

Our criticism of the President and his preliminary is that he is suggesting deficits from now forward as far as the eye can see. He never wants to balance the spending and the revenue. Oh, he wants to keep the spending going. They say he is going to restrain spending.

Please, the spending he is restraining in his budget is 17 percent of Federal spending. He is going to save about \$7 or \$8 billion when the operating deficit, this year, is \$700 billion. That is a 1-percent solution the President has come with. He is solving 1 percent of the problem.

Now, let's get serious. Let's be direct and honest with people. Talking about that restraining spending is going to solve the problem, and you come in here and save \$7 billion, when you have a \$700 billion problem, and suggesting you are solving the problem? That is not real. That is not serious. That is not credible. That does not stack up.

What the President is proposing is increasing spending and cutting revenue, when we already have record budget deficits. And what does it do? It balloons the deficits and the debt at the worst possible time, right before the baby boomers retire. That is the President's plan: to put us deeper and deeper into the deficit ditch, to take every penny of Social Security surplus over the next 10 years—\$2.4 trillion—every penny of which has to be paid back. The President has no plan to do it.

The President says he is cutting the deficit in half over the next 5 years?

The only way he is cutting the deficit in half is if he leaves out things, he leaves out that there is a war going on. He says there is no war cost past September 30. That is what his budget says: zero to fund this war past September 30; nothing for Iraq, nothing for Afghanistan, nothing for the war on terror.

He says he is going to fully and aggressively prosecute the war on terror, but he has no money to do it. Zero is not the right answer. That is what is in the President's budget to fight the war in Iraq, to fight the war in Afghanistan, to fight the war on terror. The President has a big goose egg past September 30 of this year.

And tax cuts? The President says: Do not worry. Do not worry, my budget will cut the deficit in half over the next 5 years. What he does not tell people is, beyond the 5-year window, the cost of his tax cuts explode.

He also leaves out the alternative minimum tax. It affects 3 million people now, the old millionaire's tax that is now becoming a middle-class tax trap. The President deals with that crisis for 1 year, does nothing for the next 4 years—a problem that is growing geometrically. It is going to affect 40 million people by the end of this budget period. The President does nothing past the first year.

The President's budget adds \$3 trillion to the national debt in the next 5 years. This is the President who told us he was going to have maximum paydown of the debt, and he is increasing the debt by \$3 trillion over just the next 5 years, and all of it at the worst possible time—right before the baby boomers retire.

I have shown chart after chart today showing the long-term implications of the President's plan. The long-term implications are to dig this deficit hole deeper and deeper and deeper as you go out into future years. The cost of his tax cuts explode at the very time the trust funds of Social Security and Medicare go cash negative. He is putting us in a situation that will require the most agonizing of decisions in the future.

No, our chief complaint against the President's budget is not the deficits being run now, although they are of record proportion. Our chief criticism of the President's budget is he has us on a course to balloon the deficits and the debt in future years, right before the baby boomers retire, compelling a future Congress and future President to make tough choices.

On the question of the tax choices the President has made, when I hear it said, "Oh, really, the wealthy in the country are paying more," please, the wealthy in the country are paying more? I do not know how anybody can stand on the floor of the Senate and seriously assert the wealthy are paying more. I have just shown that those earning over \$1 million a year, under the President's proposal, in 2006, are going to get a \$140,000 tax cut, on average, in that year.

The wealthy are paying more? Who are we kidding? In 2005, the top 1 percent, those earning over \$337,000, are going to get a \$45 billion tax cut. That is the cost of the tax cut going to the wealthiest 1 percent. The cost of the tax cut for those earning over \$1 million a year, in 2005, is \$27 billion. The President chose a set of tax policies that overwhelmingly go to the wealthiest among us.

I put up a chart earlier that showed the top 1 percent—those earning over \$337,000—get 33 percent of the benefit of the tax cut in 2005—33 percent, the top 1 percent.

The President said this is all to get the economy moving. Look, I believe it was important to have tax reductions to get the economy moving. Of course, it is not just the tax reductions, it is also the spending. About half the stimulus in the last 3 years has been spending; about half of it has been tax cuts. Both of those were warranted.

The problem is, the tax cut mix the President chose did not give us the biggest bang for the buck at creating jobs or growing the economy. And that is not just my view, that is the Congressional Budget Office's view. They were asked to look at all of the tax cut proposals and tell us what kind of bang for the buck you would get. Interestingly enough, the tax cut on personal capital gains, they said, would give you a small bang for the buck—small—yet that was singled out as one of the important areas for tax reduction.

The same is true on the dividend tax reduction that our colleague mentioned. He said that was a centerpiece. Well, it was a centerpiece in terms of what it cost. It was not a centerpiece in terms of what most economists would tell you is bang for the buck at getting economic growth and job creation. I believe that is a fundamental reason we are in the circumstance of today.

Yes, we should have stimulated the economy. Yes, we should have had tax cuts. Yes, we should have had increased Government spending to give a lift to the economy. But the tax cuts should have been geared to primarily the middle class. They are the folks who spend the money. Instead, this tax cut proposal has gone primarily to the wealthiest among us, those who are the most likely to save the money rather than spend it. However laudatory it is to save money, the thing that stimulates the economy, at least in the short term, is to spend it. This is a bad set of choices.

In addition to that, going forward, the President's proposal will dig us into a deeper and deeper deficit ditch, creating a circumstance, when the baby boomers start to retire, that will become more and more difficult and require tough choices.

What is going to be needed is not just tax increases, no. We need more revenue. The first place we ought to look is not tax increases but closing the tax gap, the difference between what people owe and what they pay because we

know the vast majority of people pay what they owe. But we have a small group of people and companies who do not. We now know that is costing us \$255 billion a year. That is not a tax cut. That is somebody cheating on their taxes, cheating all the rest of us, cheating the ability of this country to meet its requirements of national defense and homeland security. That is the first place we ought to go to begin to close this gap.

Yes, we are going to have to be tough on the spending side, too. It is going to take both. We are going to have to restrain the growth of spending, and we are going to have to get more revenue. It is as clear as it can be. Anybody who tells you something other than that is not being straight.

I hope before we are done we will have a healthy debate on the priorities of the country. I believe one of our top priorities is to get our fiscal house in order. Now that we have economic recovery underway, we have to move back to fiscal balance. We have to reduce these deficits that are at record levels, and not just by make believe.

The President says he is cutting the deficit in half in the next 5 years. He says the deficit is only going to be \$237 billion in that fifth year. But when we total up the things we know are going to be the costs, including the war and fixing the alternative minimum tax and the money that he is taking from Social Security and Medicare that has to be paid back, what we see in that fifth year is not \$237 billion being added to the national debt; it is \$600 billion. It is \$600 billion the next year and \$600 billion the next year and \$600 billion the next year. What we see happening is, right before the baby boomers retire, an explosion of the national debt under this President's plan. That cannot be the answer.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

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

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

Who yields time?

Mr. NICKLES. Mr. President, I yield the Senator such time as he may consume.

The PRESIDING OFFICER. The Senator from Alabama.

Mr. SESSIONS. Mr. President, I express my appreciation to the chairman of the Budget Committee, Senator NICKLES, for his leadership. We will miss him desperately in this Senate. He has chosen not to seek reelection, which he would have handled easily, and we are certainly going to miss him. His handling of this budget process this year was particularly skillful, prin-

cipled, filled with integrity and good judgment.

I also appreciate the ranking member, Senator CONRAD. He is a skilled man with the numbers of this budget. He can find more bad numbers in this budget than most anybody I know, but a lot of those numbers need to be talked about. He is correct. We have some long-term problems with financial stability. It is great to debate and have people discuss our challenges and have the numbers put out there and not hide anything as we go forward.

I believe we have produced a budget that is responsible, that the American people, if they understand it, could appreciate and would support in general. We will continue to debate it, and it will pass I believe, much as it has been written.

What we had to do is confront the situation of declining revenue to our Government. It has come from a number of different reasons, primarily because the economy has not been as healthy as we would like it, although we have seen some positive rebound. We ought to talk about that and we should consider that as we evaluate how we are going to handle the country's financial situation.

To sum up where we are, President Bush submitted a budget he believed funded the Government's discretionary accounts, including defense and homeland security and all other discretionary accounts, at \$818 billion.

We were operating in the Senate under a budget of last year that called for us to stay at \$814 billion, \$4 billion less. So we decided the right thing for us to do was produce a budget at \$814. Then, as we continued to score the proposals in the President's budget, that budget came in at \$823 billion. So to go from \$823 billion to \$814 billion there was \$9 billion we had to confront as we worked from the President's budget.

Unfortunately, we had to take a sizeable sum from the proposed increase in defense spending. The budget called for an increase of \$26 billion for defense, 7 percent, the largest aggregate increase in the budget. We were forced to come in at a \$20 billion increase for defense. We made other decisions and reduction changes. Certainly, I hope this Congress will support the President's proposals to eliminate some 50 or 60 programs that need to be eliminated.

Everybody knows that we too seldom confront spending programs that have a certain value on the surface but, if examined carefully and with an eye toward efficiency and productivity and wise use of the taxpayers' dollars, don't meet the test. But we seldom, if ever, eliminate one. The President said it is time to do that. I, too, believe it truly is.

I spoke to the National Association of State Treasurers this morning and shared with them, a story of when I became attorney general of Alabama in 1994. My predecessor had left our office in a colossal, disastrous situation financially. We were forced, because we

had a balanced budget constitutional amendment in the State of Alabama, to terminate the employment of one-third of the employees of the attorney general's office. It was a very difficult and painful decision for me. All those terminated were noncivil servants. They were hired under the political system that the attorney general could use at that time. But still many of them were good people, and I hated to terminate their employment.

But we reorganized that office. We worked hard. I believe we thereafter produced as much or more good legal work, even though we lost one-third of the employees.

I say that to illustrate there is a myth in this Senate, in this Congress, that somehow money only tells whether something is being productive, and if you don't give an agency more money, somehow they can't do as much work as they were doing before. That is wrong. It is not so. Every business in America understands they can do more for less work hard to do so. I think that is one reason why so many Americans today are cautious and concerned about how our Government spends their money.

It is because they are at their workplaces every day, working with ingenuity and technology and training and new systems to produce widgets better and cheaper for the consumer so they can stay in business. They expect the same out of Government, and they have every right to.

This budget comes in at \$814. I believe we can make that work, but there will be, throughout this process, a host of amendments to spend more for every item you can imagine. Many of them have every resonance of good and worthwhile programs. In fact, some of them will be. But we simply don't have the money we want to spend on all these programs. We need to show discipline. If we show discipline, and we do this for several years, we can bring this budget back into balance again.

Senator NICKLES believes, if we stay at this constrained spending rate, we will cut the deficit in half within 3 years. That is a good goal. I would like to exceed that. Maybe we can exceed that. We will just see. I will share my personal view that economic growth will be a big part of accomplishing our goal.

When President Bush was elected President, the economy was in trouble.

In the third quarter of President Clinton's last year in office, negative growth occurred. The first quarter that President Bush was in office—had negative growth. Not good. But, that is what he inherited from his predecessor.

I say that because people say this slowdown was President Bush's fault. The NASDAQ exchange had lost one-half of its value by the time President Bush took office. The bubble had already burst and that value out there, on paper at least, was gone, leaving companies strained and unable to borrow and hurting the economy in a

number of different ways. The economy began to come back, and in September 2001 we had the attack on the Trade Towers and the Pentagon. That hurt us, too. So we are bouncing back from that.

The President did not sit around and not do anything. He acted. He had a number of programs. One was to stimulate this economy through allowing the American citizens to keep more of the money they earn. I think that was a good idea. First of all, it is always good policy in this land of freedom and individual responsibility to allow the people who earn their wages to keep as much of it as they possibly can. That is who we are as a people. We are not part of the socialist ideal of Europe, other countries. We have a heritage of freedom and individual responsibility. First, I thought President Bush's actions were good philosophically.

Secondly, it has helped our economy. We have seen continual growth since. The third quarter of this past year, the growth of GDP in America was at 8.2 percent. That is the highest growth in over 20 years in this country. The fourth quarter of last year was over 4 percent. The combined two quarters were higher than any two quarters President Clinton had when he was in office, I have been told. It was a good end to last year.

I think we are going to have good growth this year. The stock market is coming back up. Mr. Greenspan said interest rates are expected to stay low. He expects growth to continue. Jobs have continued to increase for the last three or four quarters. Not as much as we would like; we need to see more growth in the job area. But the household survey numbers look a lot better than the numbers that are most often cited, the wage number. Regardless, we want to see continued growth in jobs. Economists tell us as the economy grows, it takes some time before employers start adding permanent employees. In other words, they will pay overtime and do other things before they hire a permanent employee. But if their business stays healthy and continues to grow, they will hire people over a period of time. Jobs lag behind growth. Despite the fact that we have people running for President who have been going around for months saying how terrible everything is, how unemployment is hurting us so badly, how the economy has been damaged by President Bush, consumer confidence is up there pretty healthy and strong. So we have to be pleased with that.

With regard to the unemployment numbers, in June of last year, the unemployment rate was 6.3 percent. The fourth quarter's unemployment was reported at 5.6 percent—which is a significant drop—is about the average over 20 years for unemployment in America. Do we want it to get better? Absolutely. Do we need to take steps to continue the growth and continue job enhancement in America? Yes. I am willing to consider any good proposals toward that idea.

Mr. President, this economy seems to be coming back on solid footing and trusting the individual American citizens who work hard, manage their money carefully, and businesses to increase productivity. Oddly, increased productivity is not good for jobs. If businesses improve productivity, they can make more widgets with less employees. I think almost every economist who would be consulted on this subject would say that in the long run productivity increases are good because productivity is what will allow us to be competitive in the world marketplace. Without increases in productivity, we will not be able to compete with low-wage nations.

So productivity is a good and bad thing. In the long run, it is going to be good. But I think it has delayed the surge of hiring we would like to see, but I think we will see hiring increase as time goes by. There are a lot of reasons our country had a decline in revenue. A small portion of the decline—maybe a quarter—was the tax cut. But the tax cuts, I am absolutely convinced, were key cause of that 8-percent growth we saw—4 percent in the last quarter—which is surging out there and which will lift us out of this slowdown.

I believe the fundamental problem with the lack of income to America has come about because our taxes in this country are focused on the highest income wage earners. I know my colleague on the other side said we are reducing taxes on the rich. But after all the tax cuts, the highest 1 percent, highest 10 percent will still pay a larger percentage of the total taxes to America than the lower income people will pay—a higher percentage of total tax revenue will still come from the rich. But the deal is this: If you have money invested in the stock market and the market drops by one-half or more, as NASDAQ did, and you sell your stock, what can you do? You take a loss. You don't show a gain and pay a tax on the gain. You show a loss. The loss claim is limited to \$3,000. But \$3,000 for a lot of people who sell stock means loss of revenue to the Government. For those in the top brackets who are paying 38 percent, that is a large loss in tax revenue to America.

Corporations that were making profits in good times and who are now showing losses are not paying taxes. People who were being paid bonuses because companies were doing fine, they don't get those now, and they are not paying more taxes. So it seems to me that by taxing heavily our highest income people and depending on them substantially for our base revenue from income taxes, we have created a pretty volatile situation in how the income comes in.

If you have 6 months of growth like we are having now, I don't think you will see a lot of bonuses to executives. But if you have a year, 2 years, of growth, and improvement and profits begin to come back in a company, you

will see other things happening that will generate profits for the corporation. More people will be hired, more people will be working overtime making that extra money, and they get taxed at the higher bracket rate. All those things, to me, indicate the President is correct to decide to take strong action, to inject an infusion of American ingenuity into the economy by allowing them to keep their wealth, what they have earned.

As a result of that, we will get growth and, as the growth stays out there, I hope our budget numbers are going to look better. Will growth solve all our problems quickly? I don't think so. I think we are going to have to sustain a long period of managing our spending habits, keeping spending growth down. Some areas need to be reduced. Some areas need to be increased modestly. We are going to have to resist starting a whole lot of new programs, and I am indeed troubled by the expansion already of the expected cost of the prescription drug program.

If we do those kind of things, and this economy comes back and we hold the line, we will begin to see the deficit be reduced. That is what we desperately need to do. We simply cannot sustain the size of the deficits we have today, and it is not necessary that we have the kind of deficits we have today. I feel that strongly. I believe we will see progress happen.

I offer as support for my belief the fact that as of June last year, the experts—CBO or OMB—predicted the deficit would be \$450 billion for the fiscal year ending September 30 of last year. But when the numbers came in, it was not \$450 billion, it was \$375 billion, \$75 billion less than they were predicting a few months before, and that was because of some containment in spending and because of the economy coming back.

We are not going to see huge, dramatic improvements, but we can believe and hope that if this economy remains strong and we remain firmly in control of spending, we will see some good things happen. This budget does that. It is less than a 4-percent increase overall, about a 3.5-percent increase in spending.

Frankly, we would have done better coming in with lower spending, but most of our spending is entitlement spending that goes up on its own on a trajectory we have not figured out how to control. We are going to need to figure out how to control it as the years go by and bring sanity and wisdom to that process.

I think our President has submitted a good budget that does not go hog wild. I believe our committee, after a long period of intense debate—Republicans and Democrats engaged in offering amendment after amendment and their philosophies and debates—has produced a frugal budget, even more frugal than the one the President submitted; that if we pass this budget and do not lose our discipline with the inevitable proposals for spending that are

about to come, then we will be in good shape to chop away at this deficit.

We must not do it, however, at the threat or expense of those marvelous tax cuts that are so important to our economy and to our American family. First, the child tax credit. Instead of \$700, we raised it to \$1,000 per child. I believe that is important.

The marriage tax penalty. The very idea that this Congress would penalize people who get married by increasing their taxes is just an anathema to me. I cannot believe we would do that. This marriage penalty fix went a long way toward eliminating that problem. It is not a gift to married people; it is simply allowing them to get back on a level playing field. A tax is a penalty. We should not penalize marriage.

The third provision up for renewal is expanding the lowest bracket, the 10-percent bracket, covering a lot of people who were paying 15 percent on their income taxes, the lower income bracket. That bracket will be increased so more people will be paying at 10 percent rather than 15 percent.

All of these provisions are critical. They will strengthen the family. In fact, we need more young couples to have children today. Somebody has to take care of us when we become aged. A lot of people are not having children. One reason is they do not think they have the money to raise children, and the child tax credit and the marriage penalty might well strengthen our families in ways we cannot measure in terms of economics but, in the long run, will be good for this country. I believe that very deeply. That is why I am particularly supportive of those two reductions in taxes.

I thank Senator NICKLES for his leadership. I appreciate this opportunity to share a few words at this time. I see Senator NICKLES, the chairman of the Budget Committee, is back in the Chamber. I, again, congratulate him for the extraordinarily capable way in which he handled this process.

I yield the floor.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I thank our colleague, Senator SESSIONS from Alabama, not only for his statement but also for the outstanding work he has done on this committee. It is not easy reporting out a budget resolution. It is not easy defending a budget. I encourage our colleagues who want to throw rocks at it all the time to put one together.

I compliment our colleague from Alabama. He has been an invaluable member of this committee. He has worked very hard. We touch every single dollar in the Federal budget in this committee. We review all those dollars. I compliment the Senator from Alabama for being an outstanding member of a challenging working committee.

Mr. President, I yield to the Senator from Colorado such time as he desires.

The PRESIDING OFFICER. The Senator from Colorado.

Mr. ALLARD. Mr. President, I thank the Senator from Oklahoma for yielding. I wish to say how grateful and what an honor it has been to serve with the current budget chairman. He has done a great job. He has been a great leader in the Senate. This is the last budget with which he is going to be involved in the Senate. He is thorough, he is straightforward, meticulous and has put together some good budgets since working with him as chairman on the Budget Committee. We are going to miss him in the Senate. He has done a yeoman's job in putting together this budget.

Like he said, putting together a budget is not simple. It is always easy to criticize a budget, and that is what I pointed out during the Budget Committee hearings. All we are hearing is criticism about this item and that item, but nobody is putting together a total budget, laying it before us and explaining what they are going to do to eliminate deficit spending.

I think back to last year, for example, on the floor of the Senate when we were debating the budget. It was the same situation. The chairman and Budget Committee members had worked hard to put together a budget and bring it to the floor of the Senate. Colleagues were consistently complaining and criticizing the deficits, but the fact is, we had amendment after amendment presented calling for more spending. It totaled up to about \$1.6 trillion in amendment after amendment calling for more spending.

Where were they getting a lot of the money? They were getting the money by wanting to increase this tax and increase that tax to pay for it. The rebuttal is: Well, we pay for it by increasing taxes.

I do not think the answer to this economy and the long-term solution to this budget is to increase taxes. I think the long-term solution is we need to hold down spending.

One of the problems we have run into in recent years, since about 2002, since many of the provisions which held spending in check are no longer before us, is we have seen spending increase, and we are continuing to see spending as a problem as we move forward and debate this budget.

We cannot deny the role the recession has had in revenues coming into the Federal Government. Our deficits are a function in any 1 year of the amount of money that is coming in and the amount of money that is being spent. In any 1 year, when spending is greater than the revenue coming in, we end up with a deficit.

Sometimes in our discussions, we interchange the terms "debt" and "deficit." There is a difference. Debt is the accumulation of the deficit spending over the years, so it reflects that. Deficit is when we spend more than what we bring in in revenue.

I have some information. When we look at the economic downturn—and the President in his budget had come

up with a figure in the economic downturn—he held 49 percent of the current deficit. I looked at a chart—this is from the President, the Executive—and it comes up with similar figures. This is put out by the Joint Economic Committee. Senator BENNETT is chairman. It is equally balanced between Republicans and Democrats out of the Senate. They point out what has happened to the surplus.

Using our CBO figures and using the figures we use in the legislative branch, we come up with the weak economy could be attributed to greater than 40 percent, and that increased spending was attributed to 36 percent of the loss of the surplus. Then we have our tax cut in 2001, 18 percent. The economic stimulus was 1 percent, and then the tax cut we put in place again was 5 percent. So the total is about 24 percent of the loss of surplus that would be attributed to tax cuts; 36 due to an increase in spending of the Federal Government, and the weak economy another 40 percent. This is by the Joint Economic Committee. This is not me. This is not the President putting that out. This is a bipartisan committee we have which looks at these kinds of figures.

Then we look at what happens year after year with spending as compared to the tax cuts we have put in place. Let's take a look at that. We start in fiscal year 2005. Here is a good example. The tax cuts reduced revenues by \$212 billion. Spending increases enacted since 2002 will total \$268 billion. We have \$212 billion tax expense to the surplus, but spending is \$268 billion.

Let's see what happens in 2006 as we move out in time in this budget. The gap we see between spending and tax cuts and its impact on the surplus grows even more. The 2006 tax cut reduces revenues by \$163 billion and spending increases enacted since 2001 will total \$314 billion. That gap is growing with each year as we move out. Over the next 5 years, 2005 to 2009, revenue decrease due to tax cuts is going to run a total of \$979 billion.

What happens during the same time period with our spending as it moves out in time, \$1.722 trillion. That is what happens to the growth in spending.

The point I am making is when there is a tax cut and that money is returned to the American people, it does not escalate and grow as an expense against the surplus, but the spending grows considerably.

I happen to believe our budget process is prejudicial against holding down taxes. The way the budget rules work, it is always easier to increase spending than it is to cut taxes. I think one of the most important ways to continue to stimulate this economy is to make sure we hold down our tax burden. I know the other side is advocating that we go ahead and increase taxes, but I think that is wrong. It is the wrong thing to do now, when the economy is starting to come back. We are starting

to see very encouraging figures about the economy in response to the stimulus plan we passed in the two previous tax cuts we put in place. They were put there to stimulate the economy.

When this President came into office, he inherited an economy that was starting to go down. Then we went through an unprecedented period of an economic downturn, which we had never seen during modern times, where revenues decreased at least for 3 consecutive years as we looked out. This had a profound impact on the amount of revenues coming into the Federal Government.

If we had not made those tax cuts, my personal judgment is this economy would still be struggling. Those tax cuts stimulated the economy, and now I think once we start getting the revenues in from this year, we are going to see a growth and the budget reflects that. Our economy is going to be on the way. With the recovering economy, we are going to see a regrowth in revenues coming to the Federal Government. The best way to grow revenues to the Federal Government is to stimulate the economy, not to increase taxes. Increasing taxes has a depressing effect on people's willingness to produce because they do not see themselves keeping that money in their pocket. They see it coming back to Washington and being spent. If the citizens of this country can see the money they are earning staying in their own pocket and paying for their needs, meeting their family's needs, meeting the needs of their local economy, they see it as a much more beneficial process and something that would motivate them to be more productive. When they are more productive, they are going to be paying more Federal taxes. Then that return comes back to the Federal Government and is reflected in increased revenues and helps us eliminate deficit spending.

The last parameter to change in our economy is unemployment. Unemployment is going down and we are continuing to see job growth. This last report was not as much as was hoped, but we are continuing to see a growth in jobs. According to the payroll survey, jobs have increased 6 months in a row. The household survey remains higher than prior to the recession and more Americans have jobs than at any other time in our history. This is a result of those tax cuts.

Where do we go from here? We have the economy beginning to grow, and we have a budget before us that begins to eliminate the deficit. I will talk a little bit about that because the President had planned to eliminate the deficit within 5 years of his budget. He said we can cut the deficit in half either as a percent of gross domestic product or in nominal terms—in other words, actual dollars.

We have done better than that in the Budget Committee, thanks to the leadership of the chairman. We are getting out of deficit spending within 3 years,

depending on how one wants to talk about it, or even as soon as 2 years. This is in real dollars, and we are doing better than the President. I think this is a phenomenal step in the right direction.

We started taking this deficit seriously in the last budget. In fact, it was important to me, and I know a lot of other members on the Budget Committee, that we start taking an early step in eliminating the deficit, so we started putting this plan in place in the last budget. It is important to me that when I look at today's budget I want to make sure we are staying with that plan, or doing better.

I am happy with what the President has proposed. I am especially happy with what has come out of the Budget Committee. We need to stay with that commitment and move forward. In order to continue to hold down spending, we are going to have to put in place some budget rules in order to have a disciplined approach to deliberating the budget so spending does not get out of hand.

I know the chairman of the Budget Committee is looking at such a plan and giving it some serious thought. We have part of that plan currently in the budget proposal before us, and I think that is something we need to focus on. In fact, from a long-term strategy standpoint the most important thing might be to do something legislatively that would put in place, with the President's signature, some real rock-solid rules on how we can control spending.

There need to be some provisions in case of an emergency, but we cannot be so flexible that we allow the emergency spending to be abused. I have observed in the short time I have been in the Senate that emergency spending bills get abused. Again, with some good, thoughtful provisions, and if we can get this budget passed, I think we will have in place some rules that will help us try to stay on board in order to eliminate the deficit.

I am convinced with the economy starting to grow that we can get back to where we have surpluses. I would like to be back in a position where I was a number of years ago where I could propose amendments on the Senate floor on appropriations bills to pay down the surplus, to pay down the public debt. I am glad we did that, because if we had put some of that money aside toward paying down the public debt, then it gave us some money in reserve.

We got to the point where we had an unprecedented time in our history, which we just experienced when this President came into office. We had an economic downturn that was getting well on its way, we had 9/11, and then we had some major conflicts we had to pay out of this budget.

I would hate to think what our deficits would be like today if we had not made an effort to pay down part of the public debt when we had an opportunity to do that. At first, it was not very easy to get those amendments

adopted on the floor, but after staying with them we were able to get those so we could make some significant steps toward paying down the public debt.

I am hoping in the not too distant future we will be in a position again where we can pay down the public debt and eliminate deficit spending so we are back out of the red on an annual basis and then begin to work to pay down that public debt because that gives us sort of the reserve. I am glad we had that there. That is responsible management of the taxpayers' dollars, responsible management of our budget resources we have that come from hard-earned dollars that our taxpayers, American citizens, are earning for the Federal Government and sending back to Washington.

Then, once we are in a position to get this budget passed, I think we also need to look at ways in which we can take care of emergency spending provisions. There are some dollars that are put in this budget to try to take care of some predictable emergency spending that we think we are going to have.

We will have an emergency surplus bill. It will be either the end of this year or in the next fiscal year. It is right and proper and good accounting to begin to take that into consideration.

I hope at some point in time we can begin to develop a pot of money over here for emergency expenses only. Then, once we have developed that, we will not have to come in for emergency supplementals where spending gets out of control and people get around our budget rules. We need to work and modify those, in my view, in order to have long-term responsible budgeting, at least out of the Senate and in the Congress.

I think the solution is no tax increases. I think we could help our economy even more if we would take some of these—in fact I would take all these recent cuts we passed, which were the economic stimulus package and the 2001 tax cut as well as the 2003 tax cut—and make those all permanent. I think that would stimulate our economy to continue growing and we would go through another unprecedented period of economic growth, bringing revenues into the Federal Government, and that would be part of our solution as far as getting out of deficits.

I think the fact that businesses and families, individual taxpayers, could plan ahead with the understanding that those tax cuts were going to stay in there for some time would build confidence in the economy. Then they would be willing to go out and make their investments and, as a result of that, create more revenue. When the tide rises, everything rises and everybody benefits.

I hope at some point in time we can make all these permanent, especially the inheritance tax. The death tax is not part of those we have in here, although I think we extend that out for a year or two in this budget. But we

need to permanently eliminate the death tax because it is silly to think people are going to plan for their death. They are not going to do that. The elimination expires toward the end of this decade and then it goes way back to previous levels, which are extremely high. That is not fair. If nothing else, just out of fairness we need to permanently eliminate the death tax.

I see my time is running out. I thank the chairman, again. I see Senator DOMENICI on the floor. He was the chairman of the Budget Committee before Senator NICKLES took over that responsibility. I think both of them have been very responsible and have worked very hard on the budget. I think we have a good piece of legislation. It is a resolution, an agreement between the House and Senate. It doesn't require the President's signature, but it is a commitment of both the House and Senate to eliminate deficit spending and hold down our tax burden and spending. I think we are heading in the right direction. If we can accomplish what is in this budget, I feel good about the future of this country and the future of our economy.

I yield the remainder of my time.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. I thank our colleague from Colorado for not only his statement but the outstanding job he does as a member of the Budget Committee. He works hard. He does his homework. He is one of the more knowledgeable persons on our committee about a lot of issues on the budget. I compliment him for his statement and his contribution in putting this budget resolution together.

I note my predecessor as chairman of this committee, Senator DOMENICI, is seeking the floor. It is always a pleasure to work with him. I yield him such time as he desires.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I have to go to a chairmen's meeting now, so I cannot speak very long. I did not want to let the first day go by without saying a couple of things.

Senator DON NICKLES has done an outstanding job, as have the Members who serve with him, working for our country, joining him in doing the very best possible job they can do.

I think the budget before us, under the circumstances, is as good as we are going to get. I only hope not only do we pass it but at the end of the year we look back and say, with the exception of things that were outside of our control, it truly was enforced; we carried it out. I hope that is the case.

I will come back tomorrow to make a few more remarks. When you get a budget and it is deficit time, and the debts are as big as they are, people generally are too gloomy. There are too many people running around saying how bad things are. I have been there when the deficits were bigger than they are now. I have been there when they

were less. I have been there when it was balanced, believe it or not. Frankly, I think what is good to know is that the American economy, the engine of wealth day by day, is in pretty good shape.

We are in a world economy that makes it very tough for America because we are trying to let the whole world get rich right alongside us. America is not looking to try to keep the world poor. It is pretty obvious that whatever globalization means to others, they have it wrong if they think the United States wants everybody else's wealth.

The truth is, we buy from everybody because we want them to grow and prosper. We want their workers to make money. We want their businesses to prosper. That is beginning to happen in a rather phenomenal way. In fact, I have never asked anybody to check carefully what has happened to China in a decade, but I imagine it would be phenomenal what is happening to their people, to their prosperity, and to their opportunity to make the world a better world for everyone.

While all that is going on in poor countries, America has trouble because we have to compete. We have a lot of people thinking we ought to pull out of this world. Not only pull out of wars, a lot of people think we ought to quit negotiating treaties of trade and just come home.

I think we are very lucky we have a cadre of leaders for the most part who do not believe that is the way. I would be very worried if we were going to move in that direction, all of a sudden say we are staying home, we are not selling our goods, and we are not buying theirs; it will just be fortress economic America. If that were the case, it would not take us along until we would have one broken down fortress.

From my standpoint, I will join with those who are trying to help America do a better job of producing goods and wealth cheaply and more competitively, getting our universities, our laboratories, and great scientists to produce out of the research room, out of their laboratory, into the technology room, and then onto the manufacturing floor. What we need is to move those faster. The great research has to turn into production in America. If only we could dream up some way to sensitize that so it would happen better and more rapidly. Researchers like researching but they would like it more if they could produce a product.

If we are not there yet, there are plenty of people who do not feel that way about research. But I submit that we are going to have more and more researchers in every sense of the word who believe they are not successful until they have solved the problem, produced the product, and let America take cutting edge advancement to work at making products.

Having said that, tomorrow I will return and talk a little bit about this

specific budget and the deficit we have and the debt we have.

But I want to close by saying I sure hope the average American is not too worried about the future. When you go through a recession for a couple of years, have two wars going on, and terrorists who ripped the heart out of your major city, and you are still in as good a shape as you are today with our economy growing, productivity growing, and more people working than any comparable day in history, you have to feel proud. For those who want to lead our country, the best way to do it is to convince them they have something to be proud of and that the future is bright.

I am down here on a tough budget with a tough chairman who worked hard to get us here, and probably with many people who won't agree with it. But I am here because I also want to let people know we are going to do the best we can. We have cut taxes not only because we like to cut taxes—that is true, we do—but because we think an economy in recession needs to have taxes cut if it is going to get out of recession. We think that happened. We are proud of that. We don't want to do away with the taxes that are about to occur right now because they are the right kinds of taxes. If we are going to do pay-as-you-go, let us at least let those taxes that we cut take effect.

I want to repeat in closing that I am going to start working tomorrow with a bipartisan group of Senators to produce a pay-as-you-go plan. It will include taxes, but it won't include the taxes that we have already passed that are waiting to be enforced but look 4 or 5 years from now, no more free rides for anything—no free rides for taxes, no free rides for defense, no free rides for anything. We are going to increase things. If you cut something, you also pay for it. If we can do that for 4 or 5 years and start the process so that it is credible, what a change it will have. It will be a very positive day for America and for those who invest if we do.

For today, I said about as much as I can. I yield the floor. I thank the chairman for yielding. I thank the Senate for listening. I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I thank Senator DOMENICI, former chairman and very distinguished member of the committee, and someone to whom we all look for wisdom on budget issues.

Let me pick up on the last point he made, the pay-go provision. What the Senator is talking about are rules that we used to have that were allowed to lapse in 2002 which required if you wanted to add spending or cut taxes, that was fine, but you had to pay for it. You had to pay for it. I think that budget discipline that was lost is unfortunate. We ought to renew those budget disciplines as quickly as possible.

I think it is fine to say there are certain taxes we should cut. In fact, I have

indicated publicly that I will vote to extend the 10-percent bracket. I will vote to extend the marriage penalty relief. I will vote to extend the expansion of the child care credit. I will vote to extend the small business expensing. I personally believe—and I think Senator ALLARD and I may agree—those are provisions that we ought to continue. There may be some more that Senator ALLARD wants to continue that I would not without paying for it.

But I would say on any spending that is new and any tax cuts that are new, we ought to pay for them. This deficit ditch is so deep now that I think we ought to impose that discipline on ourselves. We did it before. It helped. I don't think it solved the problem, but it certainly made a contribution. It provided a discipline on both the spending side and the taxing side that was important. That doesn't mean you can't, on an emergency basis, spend more or tax less. It requires a super-majority vote. It requires 60 votes to break that discipline. I think it helped us immeasurably. I think it saved hundreds of billions of dollars.

I was on this floor last year with Senator NICKLES siding with him in stopping some spending by raising budget points of order that apply on the spending side of the ledger.

I think it is very important that we reintroduce those disciplines as soon as possible.

Let me talk a little about this budget. I talked earlier about the President's budget. I also want to talk a little about this budget and why I think it is deficient.

The first thing that concerns me is it adds \$2.86 trillion to the debt over the next 5 years. I think one of the things that is being missed in these discussions is something that is flying right below the radar. It is the amount of money that is being taken out of Social Security to pay for other things, money that has to be paid back but that gets lost in this discussion of deficits. The reason for that is they are talking about what is called the unified deficit. That is when you put all the money in the pot and you treat it all the same. All the Social Security revenue goes into the pot along with the income tax revenue and every other kind of revenue. All the spending comes out of that pot. The problem with that approach is at this moment in time, Social Security funds are running big surpluses in preparation, supposedly, for the retirement of the baby boom generation. But we are not using that money to pay down the debt or prepay the liability. We are taking that money and using it to fund tax cuts and other expenditures of Government, and those Social Security surpluses are growing dramatically, by the end of this 5-year budget the Social Security fund surplus just for the fiscal year 2009, is going to be up over \$235 billion. I think it is hiding, basically from all of us, and from the American people, our true fiscal condition.

Let me make this point. If we take the chairman's mark—I have high regard for the chairman. I respect him. I have found that he is somebody I can trust. I also like him. This does not have anything to do with personalities. This has to do with the fiscal situation we face as a country. Under the chairman's mark, the total debt of our country at the end of this year is going to be \$7.4 trillion. But this year, \$612 billion will be added. Next year, we will have \$8 trillion of debt. The next year, \$569 billion is being added to the debt; the next year, \$553 billion; the next year, \$563 billion; the next year, \$564 billion. Do you notice a certain sameness as to how much is being added to the debt every year? Yet at the same time, the chairman and other Members have said it is cutting the deficits in half. And both statements are true. The deficit—which is calculated on a unified basis with all funds going into the pot, all revenue and all spending coming out of that same pot—is being reduced in half over 3 years by the chairman's mark. The problem is the increases in the debt are not being cut in half. The increases in the debt are virtually unchanged.

The debt is increasing this year by \$612 billion under the chairman's mark. By the third year it is going to increase by \$563 billion.

The debt increases are not being reduced by this plan in any significant way.

As a result, for the 5 years, the debt is being increased by \$2.860 trillion.

This is, in many ways, the good times because the baby boomers have not started to retire yet. They start to retire in 2008. When we couple the increased expenses which flow from the baby boomers retiring with the reduced revenue by making the tax cuts permanent—and, by the way, that cost explodes right outside this 5-year budget window—what we see is under any growth scenario, any reasonable growth scenario, this debt problem, this deficit problem, is going to get much more serious in this next 10-year period. It is not getting better.

Those who say, gee, with some more growth this will all work out—no, it does not work out. That is what the Comptroller General of the United States is warning us about, that is what the International Monetary Fund is warning us about, that is what budget group after budget group is warning us about. We cannot grow our way out of the deficits that are coming because we are stacking up debt at the time that is most favorable. We are stacking up debt when we have the trust funds throwing off huge cash surpluses.

What is going to happen when those trust funds go cash negative? Instead of \$160 billion of Social Security surplus, which will happen this year, instead of \$235 billion of Social Security surplus which will happen in the fifth year, when those trust funds go cash negative, then what happens, and the baby boomers have retired and the full

cost of the President's tax cuts have been phased in? Then these deficits look like child's play. Then we have a real chasm which has to be dealt with.

As I see it, the chairman's budget simply does not do the job. When we look at the chairman's mark and we put back in the war costs CBO says will be there, and we look at addressing the alternative minimum tax, here is what we see the operating deficits looking like over the next 5 years. They are enormous. The operating deficits are enormous. We see very little reduction in them under the chairman's mark. There is \$638 billion going down in 2009 to \$520 billion, and I don't believe that is an accurate reflection. I believe by the time we get to the fifth year we will add another \$600 billion to the debt, based on my own analysis.

Our colleagues on the other side have talked about this proposal reducing the deficit. Actually, this proposal does not reduce the deficit. The deficit is going down on a unified basis, not counting the money that is being taken from Social Security, if we do nothing. The deficit is going down if we do nothing. But if we adjust the baseline for the one-time expenditures that were made last year, when we had a supplemental appropriations bill for over \$85 billion last year—that is in the so-called baseline going forward—if we take that out, which the chairman has done—and, by the way, I commend him for doing that because otherwise we build in spending that should not repeat itself. It is one-time spending that should not be added to the base. The chairman has taken it out of the base. He is absolutely right to do so.

Once we have done that and then we look at what is happening with the deficits under the chairman's proposal, what we see is it increases the deficit by \$177 billion over the next 5 years. He is adding \$177 billion to the deficit over the next 5 years. That is a mistake. We have record deficits now. We have the baby boomers coming. They will retire. We should not be adding to the deficit by the policy decisions we make here. We ought to be reducing it.

The chairman says the deficit in the fifth year under his plan will be \$202 billion. That is only true if we leave out certain things. Number one, he is leaving out additional war costs in that fifth year. The Congressional Budget Office says residual war costs in the fifth year will be \$30 billion. He leaves out the alternative minimum tax fix, that costs \$55 billion in the fifth year. He leaves out the \$22 billion he will borrow from the Medicare trust fund that year which he has to pay back. He is leaving out the \$235 billion he is borrowing from the Social Security trust fund in that fifth year. In that year alone, he will borrow \$235 billion from Social Security. He will borrow another \$22 billion from Medicare trust funds so he is borrowing \$257 billion in that year and that is being stacked on the debt. So instead of adding \$202 billion to the debt in that fifth

year, he is adding at least \$545 billion to the debt. That is my own conclusion.

What is wrong with, for example, this budget in terms of revealing our full fiscal condition? One of the first problems we have is the war costs. The President has zero for war costs past September 30th. The chairman has put in a reserve fund of \$30 billion which is certainly more forthcoming than the President's plan. But the chairman does not include it in his actual budget so he does not add to the deficit calculations by that \$30 billion. He just says it is in a reserve fund. It may be spent, but we are not counting on it.

That is not a budget. It is not a budget when you say we may spend this money, and if we do, we will find someplace to get it. I guess we will have to borrow it because he is not providing the funding for it. He is not adding it to the deficit totals for that year. He is not budgeting for it.

The Congressional Budget Office says for the 10 years from 2005 to 2014, the residual war cost is \$280 billion. We are not facing up to the real costs we all know are coming.

Then we look at priorities. In 2005, the tax cuts going to the top 1 percent cost \$45 billion, those earning over \$337,000. If we were to keep the promise of No Child Left Behind in that year according to the chairman's budgets—this is a different number compared to the Bush budget because this budget before the Senate, the chairman's mark, is somewhat more generous in dealing with No Child Left Behind than the President's budget—but looking at this budget, he is \$8.6 billion short of meeting the amount committed to No Child Left Behind. That is less than 20 percent of the money that is going in the tax cut to the wealthiest 1 percent.

The same is true as we look at other priorities. Veterans medical funding. If we were to increase veterans medical care funding to meet the 2004 service levels, it would cost \$521 million. Instead, we are giving \$45 billion of tax cuts to the wealthiest 1 percent.

This is a question of priorities. What is more important? They are saying it is 90 times as important. We will spend 90 times as much providing a tax cut to the wealthiest 1 percent than to restore medical care funding to the 2004 service levels in 2005. If we took a poll of those who are the wealthiest 1 percent in this country and they were asked, Would you be willing to give up 1½ percent of your tax cut so we could match the medical care funding of our veterans in 2005 with what we did in 2004, there would be a resounding yes, I would give up 1 percent of my tax cut in order to provide decent medical care for our Nation's veterans.

The COPS program. It would take \$700 million to restore the cuts being made in the COPS program. COPS program is the program that has put 100,000 police officers on the street. It costs \$700 million to restore those cuts that are in this chairman's mark.

Again, I compare it to the \$45 billion being provided in tax cuts to the wealthiest 1 percent.

Does it make sense to cut the COPS program, reduce the number of police on the street, when we are threatened by terrorist activity in this country?

I do not think that makes sense. I do not think those are the right priorities for the country.

We look at the firefighters in the same way. It would cost \$246 million to restore the cuts to the firefighters that are included in this budget. Again, if one looks at a comparison of the tax cuts provided to the wealthiest 1 percent—those earning over \$337,000—it costs \$45 billion for that same year.

If you asked the people who are in this category: Gee, would you be willing to give up one-half of 1 percent of your tax cut so we do not cut the firefighters, I think overwhelmingly people in that category would say, yes, that is a priority that we fund the firefighters at last year's levels and not cut them, not cut them dramatically.

This is a debate about choices. It is about choices of what is the future course for our Nation. I believe the deficits and debt that are contained in these budgets are simply too large and we need to take aggressive action to deal with them, and this is all happening at the worst possible time, right before the baby boomers retire.

But I am not focused on this year's deficit. That concerns me, but that is not the focus of my concern. I am much more worried about where this is all headed under the President's plan. I am much more worried about where this is all headed under the chairman's plan than the immediate deficits.

One would expect deficits at a time we have been attacked. One would expect it at a time we have been recovering in the economy. The problem with the President's plan, the problem with the chairman's plan, is they never plan to get out of deficit. Instead, they keep adding to the debt, and by hundreds of billions of dollars a year, not just this year, but next year, and the next year, and the next year—every year by over \$500 billion of added debt, and every year thereafter, taking every penny of Social Security surplus, borrowing it, using it to fund tax cuts and other expenditures, with no plan to pay it back.

No, this does not add up. This does not add up. This does not come close to adding up. It has enormous implications for our long-term economic strength.

Now I understand this is an election year and things are unlikely to be changed very dramatically this year. I have had probably a dozen of my colleague say to me, what we need is a big plan for next year. I wish we could take more aggressive action this year, but I am realistic and know it is probably true that our best opportunity to deal with this problem in a fundamental way will come next year, and that is when we need to be prepared to act in

a serious way and quit just hoping against hope that somehow this all goes away.

It is not going away. It is not going away under the chairman's plan. He is adding \$500 billion to the debt every year of this plan. It is not going away under the President's plan. He is adding even more. The President adds \$3 trillion to the debt over the next 5 years—\$3 trillion. This plan is a little bit better. It adds \$2.860 trillion to the debt. None of this is sustainable, especially in light of the retirement of the baby boom generation, which starts in 2008, and of the cost of the President's tax cuts that absolutely explode beyond the 5 years of this budget plan.

I thank the Chair and yield the floor.
The PRESIDING OFFICER. The Senator from Michigan.

Ms. STABENOW. Mr. President, I rise to speak about the budget. I first commend my ranking member, the Senator from North Dakota, for his incredible leadership and the way in which he has presented all of these issues and the challenges facing our country. There is no question that a huge hole has been dug with deficits as far as the eye can see.

I remember coming onto the Budget Committee as a new Member of the Senate in 2001, when the debate was what to do with the largest surplus in the history of the country. I remember when the Senator from North Dakota was talking about the baby boomers retiring and the need to put money aside to meet our obligations under Social Security and Medicare, and the need to look to the future.

Unfortunately, instead, what we saw were very short-term decisions that turned the largest budget surplus in the history of the country into the largest budget deficit in the history of the country, in only 3 years. It is astounding to see what has happened in the last 3 years.

But I thank him for his courage and his willingness to fight for what is important to my family and the people of Michigan and the people of North Dakota and people all across the country, for fighting for the right priorities for the future of our country.

I also want to take a moment to thank our chairman, who convened his last budget hearing and budget resolution markup this year. I appreciate the fact that he conducted a fair markup, as he has done since being chairman. We came to the conclusion and voted on a budget resolution that now is in front of us. He did it in a very fair way.

I also commend him for a couple of tough decisions he made that the administration was not willing to make. Chairman NICKLES, unlike the administration, put funding in the budget for ongoing activities in Iraq. He put in a reserve fund of \$30 billion. While I am concerned that is not enough to meet the request that will come back to us, I commend him for his leadership in understanding the number certainly is not zero, that there needs to be an

amount that is put aside into a reserve fund.

But this budget is so flawed in the end analysis, I am not sure where to begin in talking about it. It reminds me of Yogi Berra when he said: This is *deja vu* all over again. Because that is exactly where we are, given the direction we have gone in the last 3 years. Once again, we see a budget that is skewed to a privileged few while leaving middle-income families behind. It fails the credibility test, and it does not reflect our Nation's values and priorities. I hope the Senate will decide to reject it and go back to the drawing board and get it right.

Our Nation's budget is our chief economic tool. This is the fourth time President Bush has submitted a budget to Congress containing his economic plan for the Nation. Unfortunately, the President's last three budgets have led to major job loss, soaring deficits, rising debt, the looting of the Social Security and Medicare trust funds, and have failed to provide the necessary resources for our domestic priorities.

It seems every day we hear more and more economic bad news. Certainly in the State of Michigan every day there are headlines of job loss.

On Friday, the Labor Department said there were only 21,000 jobs created in February. This is anemic, according to many economists, and 285,000 jobs short of what the President said would happen just a couple of months ago. At this rate, it will take 9 years to recover all of the jobs lost under President Bush.

Unfortunately, the people of the State of Michigan can't wait that long. Our people need jobs now. Under the Bush Presidency, we have lost 2.8 million manufacturing jobs, many of them in the State of Michigan. Our manufacturing sector is in crisis. Every day we hear about another company shipping its jobs overseas to China or India or Mexico. In fact, the State of Michigan had the highest number of jobs lost last year.

Just last Friday, our Democratic Policy Committee held a hearing on the topic of shipping jobs overseas. At that hearing we heard testimony from Dave Doolittle who works at the Electrolux Refrigerator plant, Greenville, MI. They announced they were going to close and export 2,700 jobs to Mexico.

Despite major concessions offered by the workers and over \$70 million in economic incentives from the State and the community—the community did everything right; the workers did everything right—Electrolux announced it will close next year, and 2,700 workers will be out of a job. That means 2,700 families will be without a breadwinner in a town of 9,000 people; 2,700 people losing their jobs out of 9,000. This type of job loss is devastating to these families.

In addition to that, when we look at the ripple effect and the suppliers involved and others, this can reach as

high as 8,000 good-paying jobs with health care and pension plans throughout the entire region. This type of job loss is devastating for our families, and it is devastating to Dave Doolittle.

Mr. Doolittle has worked at the plant for over 23 years. He has a pension. He has health benefits. He has one child in college and two in high school. The plant closing will devastate his family. He asked us, who will pay for his two high school children to go to college? What is he going to do about health care for his family? Will they be able to keep their home?

To add insult to injury, Dave Doolittle and other employees will be working on an assembly line that has just received major investments of \$100 million to improve it so the company can see what problems it has so they can then rebuild that and take it to Mexico. This highly productive, highly skilled workforce is working out all the kinks in the equipment that they will then pack up and send to Mexico.

Unfortunately, the President's budget and the budget before us will do nothing for Dave Doolittle and his family. He is one of a growing number of hard-working families making up a part of another America. The other America includes not only the unemployed but millions of workers who have simply given up trying to find a job. If you include them in the unemployment rate, these discouraged workers push the unemployment numbers up to 9.6 percent, almost 1 in 10 of our workers.

People such as Dave Doolittle are not interested in a handout. This is a hard-working, skilled individual. What he is looking for is a good job and a chance to give his children and his grandchildren-to-be a better future. They want to provide their children with health care and an education so they can live the American dream. Isn't that what we all want for ourselves and for our children? They want the country to be strong and safe from terrorist attacks. They are counting on us to do what is right at home and abroad.

Unfortunately, the Bush economic policies have failed Dave Doolittle and his family on all counts. The President's budget has no plan to create jobs. It does nothing to help the uninsured and make health care more affordable. It contains proposed cuts for our schools, our police officers, our firefighters who are trying to protect us on the front lines against terrorist attacks.

On these priorities and more, Democrats tried to improve this budget in committee but were voted down on a party-line vote every time.

This budget also lacks credibility. For the last 3 years we were told one thing; yet something very different has happened over and over. The first tax cut produced massive deficits and harmed our economy. Despite all that, the President continues to push the same trickle-down economics that have failed. If these tax cuts were done by trial and error, they were an error.

Consider everything that was said and what actually has happened. We were told that the administration's tax cuts in 2001 and 2003 would create jobs, but we have lost jobs, almost 3 million. We were told we would have a surplus, but we now have the largest deficit in the history of the country. We were told we would pay off the national debt, but now our national debt is higher than when President Bush took office. We were told the President's budget would not use Social Security trust funds, but now we are using every penny of the Social Security surplus to pay for tax cuts for the privileged few. We were told we needed to modernize Medicare and add a prescription drug benefit, with which I agree, but now we have a law that will privatize Medicare, hurt one in four seniors on Medicare, and cause them to lose their private insurance. It does little to help seniors purchase prescription drugs and does nothing to lower prices for all Americans.

We were told we would fund Leave No Child Behind and special education, but now we have failed to fully fund them. School districts are making cuts, shortening their school years, and laying off teachers. We were told we would have a new Department of Homeland Security that would help protect us, but in only the second budget cycle for this agency, we are already seeing budget cuts from last year, and we are falling far short of what is needed to protect our country.

We tried to make some changes to this budget in committee to have it better reflect our Nation's values and priorities. Unfortunately, we were unsuccessful. We tried to add fiscal discipline and reduce the deficit, but we lost on a party-line vote. We tried to fully fund Leave No Child Behind, but we lost on a party-line vote. We tried to restore the cuts to our firefighters, but we lost on a party-line vote.

Unfortunately, the Democrats were not the real losers, though. The American people were the losers by those votes.

We are in this budget and economic mess because this administration has valued wealth over work and the privileged few over our children's future. For the privileged few, this administration has given so much: most of the tax breaks, subsidies for insurance companies and HMOs, and \$139 billion in profit for the pharmaceutical industry. For working families there has been very little. In fact, working men and women and their families are worse off than they were 3 years ago.

Three million workers have lost their jobs. As of the end of January, we have over 400,000 people who have lost their jobs who have been cut off of unemployment insurance. Eight million will see their pay cut because of new overtime regulations. Seven million people who work for the minimum wage have seen their pay eroded, and 12 million children were too poor to get the child tax credit.

Three years ago, Federal Reserve Chairman Alan Greenspan gave the go-ahead for massive tax cuts for the top 1 percent, and this Congress, in conjunction with the President, enacted them, and now we have the largest deficits in history.

Unfortunately, now Chairman Greenspan is urging Congress and the President to make cuts in Social Security because we have these deficits. This means tax cuts for the privileged few are paving the way for cuts in Social Security for middle-income families. This is wrong.

How can we ask people who have worked their entire lives to have their Social Security cut to pay for tax cuts for our privileged few?

I mentioned earlier that budgets are all about values and priorities, and I truly believe that. We have to decide, do we want more tax cuts for the privileged few or do we want all Americans to be safe by providing full funding for firefighters, police officers, and other first responders?

Do we want more tax cuts for the privileged few or do we want a real comprehensive Medicare prescription drug benefit and lower prescription drug prices for everyone?

Do we want more tax cuts for the privileged few or quality schools with highly educated teachers and small class sizes and state-of-the-art technology for all of our children?

More tax cuts or quality education? More tax cuts or quality health care for our veterans who have served us and continue to serve us today? More tax cuts or hundreds of thousands of new jobs, rebuilding our Nation's highways?

We need a new vision. We need new priorities for America. We need a positive budget that will help all Americans raise their families, get access to health care, and enjoy their lives and their retirement. We need to restore our fiscal discipline, make critical investments to create jobs, and strengthen Medicare and Social Security. In short, we need to make the needs of American families our top priority again.

I will be supporting a number of amendments that will do that in this budget debate. I am hopeful we will be able to get bipartisan support to be able to do those things that American families are asking us to do, so at the end of the day we will have a budget that reflects what is important to the people we represent.

I yield the floor.

The PRESIDING OFFICER. The Senator from Colorado is recognized.

Mr. ALLARD. Mr. President, I want to set the record straight. We have heard a lot of discussion from the other side about the burden or about how these tax cuts are somehow favoring the rich and somehow implying that the rich are getting some sort of an advantage.

I share with my colleagues some facts. This factsheet was put out by the

Tax Foundation. It talks about the Federal individual income tax. It takes us up to 2001. The top 1 percent of the earners in this country, the top 1 percent who pay the highest taxes, pay 40 percent of the individual income tax in this country. The top 5 percent pay 53.3 percent. The top 10 percent pay 64.9 percent. The top 25 percent pay 82.9 percent. The top 50 percent of the individual income taxpayers in this country pay 96.1 percent.

That means the bottom 50 percent only pay 4 percent of the total individual income tax that comes in. That is the individual taxes that are filed.

I was looking to see what happens when we look at all income classes and all returns. These are taxable returns, itemized tax liability, at the 2003 rate and the 2003 law and 2003 income levels. If we look at those returns that show \$100,000 to \$200,000 in taxes, they pay 25 percent, a little over 25 percent. If we look at those who pay over \$200,000 in taxes, they pay 49 percent. So if we total all the income classes and all returns—these figures are put out by the Joint Committee on Taxation—and we look at all these returns, and this is a current document—the previous document I referred to was up to 2001—put out by the Tax Foundation—if you take those who are \$100,000 or more, they pay over 75 percent of the taxes in this country.

Now, it seems to me those individuals with those tax returns reflect hard work and productivity. They are doing their fair share in supporting the economy of this country. I think this needed to be made part of the record. That is why I wanted to take a little time to talk about the tax burden, because the story we keep hearing from colleagues on the other side is that somehow the rich are getting off easy.

The lowest 50 percent of our individual taxpayers pay 4 percent and the top 50 percent are paying 96 percent of the taxes. That tells you who is paying the taxes.

Then, if we look at all the returns filed in 2003, and then look at who is paying those, all those who paid \$100,000 or more are paying over 75 percent of the taxes. That is phenomenal. The producers and earners are paying their fair share.

I might add that a large percentage of these individuals, as well as others, are coming from small business. That is where our economic growth occurs, where our new ideas come from. If we can continue to promote and encourage the growth of small business, then that means our economy is going to do well. That is why I think the tax cut that we put in place was the right solution, and it has worked. I don't think anybody can deny that the tax cuts we put in place have worked. They have worked.

If we increase taxes, which is being encouraged on the other side, supported by the other side, it is the wrong thing to do at the wrong time—particularly when our economy is beginning to show growth. I think it is

important, again, that we ought to actually extend these taxes permanently. If we would do that, I think that sends a message to the producers of this country that we are open for business and they will get out and they will produce. When the economy grows, I think it will help work us out of where we are now in deficits. I think it will increase revenues to the Federal Government substantially, and it will be easier for us to work our way out of the deficits we now face.

I yield the floor.

The PRESIDING OFFICER (Mr. BENNETT). The Senator from Michigan is recognized.

Ms. STABENOW. Mr. President, if I might respond to my colleague's comments, we certainly have heard similar comments before. There are a couple of concerns that I have. Like everything, it depends on how you look at the numbers and how you look at what is happening in terms of tax burden. The debate that has gone on relates to the income tax. It has nothing to do, first, with all of the taxes.

In this debate, there is always a conscious desire not to look at the payroll tax, which everybody pays and, in fact, it is skewed more to lower and middle-income people, because above a certain income you don't pay the payroll tax anymore.

So let's look at who is paying the payroll tax. Let's look at who pays sales tax, which is based on what you buy. It has no relationship to your income specifically, in terms of what the sales tax burden is. We know it falls more on low- and moderate-income individuals.

We can also look at property taxes. We look at a wide array of taxes in this country and we see that low- and middle-income people have a huge burden. When taxes get cut, it is not on the things they are paying; it is on those taxes—in this case, the income tax—which is paid by those who make higher incomes, higher percentages.

When we look at the total tax burden, we see that it is the middle-income people in this country who get squeezed on all sides. We should not add to that by extending a tax cut that continues to do that.

Let us look at the numbers, how the tax breaks stack up. The combined effect of the tax cuts of 2001 and 2003, if you make over \$1 million a year—that is in a year and a half—if you make over \$1 million a year, your combined tax cut is \$140,369. The average middle-income-tax payer will get a tax cut of \$566. Look at these numbers. This is more than the majority of people in the country earn working hard every single year for their family. They work hard, they play by the rules, they are struggling with sending their kids to college and making sure they can buy their homes and pay the property taxes, and all of the other pressures on them. They are worried about losing their job now to overseas competition. Instead of selling products overseas,

they are worried their jobs are going to go overseas.

We have individuals who work hard every day, play by the rules, and the vast majority of them are earning less per year than what one person is going to get in an income tax cut who earns over \$1 million a year. I do not begrudge in any way someone who earns over \$1 million a year. That is not the point. The point is we are looking at this kind of a tax cut of \$140,000 versus \$566. There is a major issue of who is getting the tax benefit and who drives the economy, from where does the economic growth come. We know it is from middle-income-tax payers who are as consumers purchasing in the economy, but more broadly we look at this in terms of choices.

We know if we were to give them two-thirds of their tax cut this year instead of all of it, we could fully fund what has been reported is needed to keep us safe with homeland security—every single penny. It is a large number. We are told by Warren Rudman and the members who came together to look at all of our homeland security needs—not only police and fire and bioterrorism, borders and ports and chemical plants, but all of it—it will cost \$15 billion, which is one-third of what those at the top are going to get back this year in a tax cut.

Would folks be willing to take a little bit less to know they are safe, that their family is safe, that the borders are safe, that the ports are safe, that they can call 9-1-1 and know they can get a first responder at their home if there is an emergency, or that the community can respond, that police and firefighters can talk to each other on the radio, have interoperability, which they do not have now?

All across Michigan, we do not have one system where everybody can talk to each other in case of an emergency. I think most of the people who do very well in this country would say, yes, that is important for my family, and that is a tradeoff I am willing to make; that is a choice I am willing to make.

This is about choices. It is not about class warfare. There are huge differences in what people will be getting back. It is not about penalizing or in any way demonizing people who make over \$1 million a year. This is about choices. When we see red for as far as the eye can see, when we see that this year's projected deficit, just this year's deficit of \$521 billion is more than the entire investments outside defense—take defense away—all of our domestic investments, all of our domestic budget: homeland security, education, health care, law enforcement, protecting the environment, parks—we could wipe out the entire domestic budget, except for defense, and not equal the deficit hole that the administration has put us in just this year.

It is a matter of choices and saying to someone who is doing very well: We need you to help. We need you to be willing to make sacrifices just as every

family is, just as our men and women in the armed services are making in Iraq and Afghanistan. It is about choices. If the choice is keeping every American safe, making sure we can protect ourselves from terrorist attacks across this country, and asking those doing very well, who have reaped the benefits of this country, to help share in paying for that, I think the majority of them would say yes. That is something we all are willing to do.

This is always a question of choices. It is a question of priorities. It is a question of values.

As the chart shows, it is also a question of fairness for people. If we look at the difference in the average middle-income-tax payer and the cut they will get in 2006, and those with incomes over \$1 million and the cut they will get, we see that in addition to this disparity, this middle-income-tax payer is paying a payroll tax, sales taxes, property taxes, and contributing greatly to the payment of services in their community.

This budget is about what is fair for everybody, what is the right thing to do to keep us strong fiscally, how do we put ourselves on a path of not asking our children to pay the burden of the debt that is being accumulated, how do we make sure we are smart in terms of our investments in the economy to grow jobs, put money in the pockets of middle-income people, small businesses that drive the economy—the majority of new jobs are coming from small business—how do we make sure that is a priority for us, and how do we make sure we are creating a set of priorities and a vision for the future that our families are asking us to do?

Thank you, Mr. President.

The PRESIDING OFFICER (Mr. FITZGERALD). The Senator from Utah.

Mr. BENNETT. Mr. President, I listened to this particular debate for a while. I have a few observations. I am not prepared to make a significant economic statement. I will be doing that at some point during the debate. But I think I will respond to a few comments that have been made.

If I may quote Paul Samuelson in a recent article in Newsweek and the Washington Post, he said most of the debate about jobs that is currently going on is bogus, and he makes the point that if a President could create jobs, the unemployment rate would be permanently at 3.2 percent. If a President could create jobs, every President would. If a Congress could create jobs, every Congress would. No one wants to go home and address his constituents at a time when jobs are difficult.

The fact remains, however, that the Congress or the President cannot, with a wave of the hand or the passage of legislation or the adoption of a political slogan, create jobs. Jobs are created in the economy. Jobs are created because of two things: There first must be accumulated wealth, accumulated capital of some kind, and then there must be someone who holds that capital who is willing to take a risk.

All wealth is created by the combination of accumulated capital and risk taking. When we tax people, we tax their accumulated capital. We have to do that. We should do that. I am not suggesting in any sense that taxes are not appropriate, but if we tax capital too much, capital flees. It goes some place else. If we regulate risk taking too heavily, it goes some place else or it is killed altogether.

As a consequence, if we are going to have jobs, we want an economic situation where accumulated capital is allowed to work and where risk takers are rewarded for their risk and where they receive the incentive necessary to compensate them for the risk they take.

I do not mean to be overly personal, but I hear people talking about two things. One, they talk about small business and how wonderful small business is, and then they talk about millionaires and how millionaires should be willing to sacrifice a little of their money so everybody else can have a job.

It is very interesting that those who talk about let's not make the tax cuts permanent then praise small business in the next breath. Perhaps they do not realize most of the tax returns that show income in excess of a million dollars are, in fact, the tax returns of owners of small business.

Let me give my own personal example to illustrate the point. I have done it before, but I have discovered since I have come to the Senate, there is no such thing as repetition in the Senate. We always give every speech as if it is brand new.

Before I came to the Senate, I was the president of a privately held corporation that filed its taxes under the S section of the Tax Code. Therefore, it was known as an S corporation. It used to be called a subchapter S corporation, but they changed the law a little and it is now just an S corporation.

When that phrase is used, people's eyes glaze over and they say, what does that mean? Well, it is very simple. If the corporation earns \$1 million and it has 10 shareholders, instead of the corporation paying taxes on that \$1 million, as an S corporation it pays no taxes, but each of its 10 shareholders, assuming their shareholdings are equal, pays taxes on \$100,000. Why would any shareholder want to do that? Very simple. It avoids double taxation.

If the corporation made \$1 million, had 10 shareholders and it paid taxes, it would pay taxes at 36 percent. The Federal Government would get 36 cents out of every dollar it earned.

At the time I was doing this, the top tax rate was 28 percent. By saying, all right, we are going to register as an S corporation so the corporation does not pay any taxes on the \$1 million, it comes to the 10 shareholders and each one of us will pay taxes on our share of the earnings, which in my case was 28 cents, that is a very significant difference—the difference between paying

28 cents on every dollar you earn and 36 cents on every dollar you earn.

During the period of time Bill Clinton was President, that number went up to 42. I had said before if we had started that company at a time when the effective tax rate was 42 percent, we probably would not have survived, but because we started it during the Reagan years when the top individual tax rate was 28 percent, we got to keep 72 cents out of every dollar we earned.

What did we do with that? We put it back into the corporation and we created jobs, real jobs. The company had four full-time employees when I joined it as the chief executive—not a very big company, frankly, not a very big deal. It eventually grew to 4,000 jobs. The reason it had that kind of momentum as a small business is because we only paid 28 cents back to the Federal Government out of every dollar we earned. We put the 72 cents into growing the business and from a base of 4 jobs we created 4,000 jobs. If we add up all of the income taxes that were paid by those 4,000 employees and the corporate taxes that were paid by the company when it finally went public and ceased to be an S corporation, it became a C corporation, and the taxes that were paid by the suppliers of our company and the taxes that were paid by their suppliers and all the rest of it, we come up with a very large number that came into the Federal Government because that company was started.

As I said in the beginning, it was started because of two things: accumulated capital and risk taking. How much accumulated capital did we have? We borrowed \$175,000 from the bank. It was the bank's capital. That was our accumulated capital. How big a risk did we take? Every one of us signed away everything we owned in the form of a personal guarantee to make that company go. After about 9 months of operation, I remember the principal shareholder of the company saying to me, BOB, are we going to make it? Are we going to survive?

I said to him, well, it depends on whether we get repeat business. We sold a product that had a year's life and the question was would the people at the end of the year come back and buy the product at the end of the year. I said, if we get 55-percent repeat business, we are going to survive. If we get less than that, your next phone call has to be to a real estate broker because you are going to have to sell your house. The bank is going to show up and take everything you own.

On that pleasant note, we went ahead with the business. It turned out we got more than a 55-percent renewal rate. We got a 95-percent renewal rate and the business doubled. It continued to grow and we funded it with internally generated funds because we were able to keep 72 cents out of every dollar we earned and put every dime of that 72 cents back into the business.

Because we were an S corporation and the profits we were earning showed

up on our individual tax returns, I filed tax returns that showed I was earning over \$1 million a year. Now, in fact, my salary as the CEO of that company was \$140,000, but there was the other million that was added to it as my share of the company's earnings reported on my personal income tax return.

If we go to the chart that was shown by the Senator from Michigan, I would be one of those who would be earning \$1 million a year. In fact, my take-home stayed exactly the same at the \$140,000 figure. The rest of it was all a book-keeping entry. We did it because we wanted to avoid double taxation and because we wanted to take advantage of the fact that the effective rate for individuals was lower than the effective rate for corporations. We built the business and we created the jobs because the tax situation was as I have described it.

We hear all of these comments about how wonderful small business is and how small business is the engine that is driving the economy, and they are right. We hear all of these comments about how small business is where the new jobs are, and they are right. It is interesting that almost unanimously those who represent small business are saying to us, keep the President's tax cuts in place. If you do not, you will stifle small business.

On this floor we are seeing our colleagues say, let's let the millionaires pay for the things we want to do, let's take a little off the top from the millionaires and then we can afford all of these wonderful Federal programs we want to fund, all of the time while we are saying, gee, we are spending too much money, but we should spend more money here and we should spend more money there and we should spend more money in the other place. And where are we going to get it? Well, we will let the millionaires pay it.

Then they say, all of this will help small business. The small businesspeople are saying, we are the millionaires and it is not coming to us in personal income, it is showing up on our tax returns in K-1 forms filed to deal with an S corporation, and you are stifling job growth, you are stifling small business if you do it this way.

We do not hear from the real small business man and woman. We hear from those who say, I am speaking for small business while I am saying small business is wonderful, and at the same time I am saying increase the taxes on those small business men and women who have sole proprietorships or S corporations or limited liability corporations.

The other point I want to make in this debate has to do with jobs. We are hearing over and over, where are the jobs? Once again, it is the President's fault. President Bush has presided over the loss of more jobs than anybody since Herbert Hoover. He must have done it deliberately is the implication. As I said at the outset, Paul Samuelson said if a President knew how to create

jobs, we would never see the unemployment rate go above 3.2 percent.

What is the basis of the creation of jobs? Let me give a statistic. When economic activity goes up, obviously there is a need for more jobs. There is a need for more people to work at businesses, at firms that are involved in the economic activity growing. So the economic activity has gone up.

We had a great year in 2003. The gross domestic product grew by 4.3 percent, which in historic terms is terrific. The President said we will get good growth if we have these tax cuts, and we have gotten good growth. We have added something like \$3 trillion to \$4 trillion worth of wealth on the stock market—and that involves over 50 percent of our population.

The stock market is not just for the privileged few at the top now. Teachers' pensions, labor union pensions, veterans' pensions, people who have invested for their children's college funds—over half of Americans are now invested in the stock market. They have seen, since the President's program went into place, an increase in the overall value of the stock market in the multiple trillions of dollars. This is not a small accomplishment.

But where are the jobs if GDP is at 4.3 percent, historically a high position? The stock market has come back, creating a tremendous amount of accumulated wealth, and where are the jobs?

There is another statistic that answers the question we need to pay attention to. In 2003, once again GDP increased by 4.3 percent. Normally that is a time when you would see the creation of many jobs. However, in that same year productivity increased by 4.4 percent: a staggering number in historic terms. But the net effect is that it was higher than GDP.

Whenever productivity grows faster than the economy grows, something we don't like happens and that is we lose jobs. For all of the efforts on this floor and in the White House and in the Federal Reserve to get the economy growing, to get the traction in the recovery growing—and we produced a year of 4.3 percent growth in 2003—with that strong growth, we lost 60,000 jobs. The reason was productivity grew at 4.4 percent while GDP was growing at 4.3 percent.

Some will say the solution to the problem is to get productivity down, to have GDP growing and productivity falling. That, of course, is a prescription for long-term economic disaster. The most significant thing we want to do in our economy is keep it as productive as possible, to have productivity growing rapidly here so we can outgrow the rest of the world. That is what America has done for 100 years or more.

Go back to the middle 1800s and look at the productivity figures for the then leading economy in the world, which was Great Britain, and the productivity figures for the young upcoming

country in the world, which was the United States. You see that over the years the United States had a higher productivity than Great Britain by about a half a percent. That was enough, over the decades, and then the century, to see America eclipse Great Britain and see Great Britain ultimately disappear as a major world economic factor. America now stands as the strongest economy in the world. We do not want our productivity to go down.

The thing that has happened in this recession and recovery, something that has not happened before, is that through the quarters of recession and recovery productivity remained strong. Productivity simply means you are getting more value out what the workforce is producing. You are getting more goods; you are getting more services; you are getting more to sell. If you can get more out of the workforce in this fashion, it means ultimately your society has a higher standard of living and your consumers pay less for the goods they use. But if productivity is growing faster than the economy is growing, that means you are getting that result, higher standard of living and lower cost, with fewer people.

This is the real dilemma we are facing that is not being discussed when we talk about economics. The real dilemma we are facing is how do we get the GDP to grow faster than productivity.

I believe productivity will come down from the high of 4.4 percent that we saw in 2003. I don't think that is sustainable. I think the GDP will eventually cross over the line so the GDP is growing more rapidly than productivity does, and when that happens the jobs will automatically come into play. They will appear. It will not be because of anything we do or not because of anything President Bush does or of anything that a potential President KERRY might do. It will happen because the economy is strong enough that the GDP will grow faster, that productivity will be passed by the GDP number. Whoever holds office at that time, be he or she, Republican or Democrat, will take full credit for it. They will say, since it happened on my watch, I did it.

But let us, at least for a moment, in the rhetoric of this election year, pause and recognize what is happening. We are in the midst of the information revolution. It is as fundamental to changing the economy as the industrial revolution was in the late 1800s. We have not yet learned quite how to cope with it and deal with it. But the potential for good for our citizens, and for the world, is enormous.

I don't want to peddle fear and pessimism because, in fact, we should be optimistic and excited about the future that this represents to us. It will be filled with challenges, just as the industrial revolution brought enormous challenges. But it will be filled with opportunity and it should be filled with optimism.

I close with this observation. If we had been having this debate 100 years ago, in 1904 instead of 2004, and some economist with a great, clear crystal ball had come before us and told us the following we would all have panicked, but it would have been true if he had said this 100 years ago. He would have said: Sixty-nine percent of America's labor force works on the farm; 69 percent of America's labor force is involved in agriculture, which is civilization's oldest economic activity. One hundred years from now, in 2004, that number will be two. Yes, you heard me, it is now 69 percent; 100 years from now it will be 2 percent.

If that were all he had said, the sense of panic would be enormous. Of course, he would have been accurate because agricultural jobs now have gone from 69 percent of the labor force to 2 percent.

What in the world have we done with all of those people who are out of work? The industrial revolution took hold and their productivity became greater and greater and greater, and today the 2 percent of Americans who are involved in agriculture produce more food and fiber than Americans can possibly eat or wear, even though obesity is our largest health problem. We have to export food to keep the farmers busy and only 2 percent of our working force is in agriculture.

We have enormous productivity.

Here is another statistic and cautionary tale in that same situation. The percentage of workers involved in manufacturing has been going down, just like the percentage of workers involved in agriculture for 50 years—not just in this country but all over the world. As we now see the percentage of workers going down in manufacturing and we get all excited because it is going down in one President's term, or in the 8 years of Bill Clinton, or in the first President Bush's term, or in Jimmy Carter's term, or wherever it might have been going down, it has been going down on a steady basis for over 50 years here and in Europe and in every other industrialized country in the world.

What have we done with those workers? How have we been able to find jobs for them? The son of the steelworker who no longer has a job because about 10 percent of the number of steelworkers is necessary to run a steel mill now compared to the number that was necessary when we had open hearth furnace steel mills, the sons and grandsons of those steelworkers who worked in the open hearth furnaces are now working for Microsoft, or Verizon, or in a startup that will become the next e-Bay, or whatever company you want to speculate. They are earning more money than their grandfather and their father earned, and they are providing for their families better. We are in the midst of the information revolution, as I said, that is transforming the economy as fundamentally as the industrial revolution did.

As we deal with this recession and this recovery and talk about what we need to do, let us understand the environment in which we are operating.

There are many things we don't know about the information revolution. There is much to understand before we can make sound policy. But we come back to a fundamental truth which was true during the agricultural age, which was true during the industrial age, and which is true now during the information age; that is, in order to get economic activity, growth, and wealth creation, you need two things—accumulated capital and the willingness to take a risk.

If we can always remember those two fundamentals—that all growth and all wealth comes from the combination of accumulated capital and taking a risk—we will make wise decisions.

If we fall for the siren song that says the way to deal with our problem is to share the wealth and take the accumulated capital and spread it all around in a way that nobody then has any risk—Karl Marx suggested that and we have seen what has happened to the economies that followed his economic advice—we will kill the goose that has been laying golden eggs in this country for over 240 years.

That is a dramatic condemnation of some of what I have heard on the floor, and it is over the top. But, frankly, much of what I have heard here on the floor is over the top.

Let us stay with the basics. Let us do our tax policy in a way that encourages accumulation of wealth. Let us do our regulatory policy in a way that encourages the taking of risks. Then as the wealth is created by the combination of accumulated capital and risk taking, let us devise a tax system that does not kill the golden goose but that does take out of the economy the money we need to deal with the proper role of government. I am not one who says we shouldn't have taxes. I am not one who says people shouldn't pay their fair share. I am not one who says just because you are successful you should be left alone. But my fundamental goal is a tax system that functions to raise enough money to pay for the legitimate needs of government, not one that picks winners and losers, not one that tries to set social policy by tax incentives. Let social policy be set by Congress. Let the taxes be drawn in a way that produces the greatest efficiency in the economy. Then the gross domestic product will grow more rapidly than productivity, even though the information age will keep productivity high. At that point the jobs will start to come and we will have done our jobs.

We cannot create jobs. The President cannot create jobs. But what we can do is create an economic circumstance where jobs are discouraged and economic activity is dampened. When that happens, we will all pay the price.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I agree with much of what the Senator from Utah has indicated. There are basic fundamentals to the functioning of our economy. Right at the heart of the determination of how successful we are as an economy and the role the Federal Government plays is first on the monetary side with the Federal Reserve Board and on the fiscal policy side what we do with our spending and taxing decisions.

The problem I have with the President's budget and the budget offered by the majority is it contemplates deep additions to the debt even at a time of economic strength leading into the retirement of the baby boom generation which will explode the cost of the Federal Government. When we overlay that with the President's tax proposals, it explodes the cost of revenue lost to the Federal Government at the very time the baby boomers retire, taking us right over a fiscal cliff.

Those are not just my views. Those are the views of many who have studied the President's plan. That is why we have the Comptroller General of the United States warning us we are heading in a direction that is unsustainable. That is why we have the head of the Federal Reserve Board saying to us we are overcommitted and tough choices are going to have to be made. That is why responsible budget group after budget group has said to us you are overcommitted. You have massive deficits—the biggest we have ever had in dollar terms—and you are headed for even more trouble in the future.

Mr. BENNETT. Mr. President, will the Senator yield for a question?

Mr. CONRAD. I would be happy to.

Mr. BENNETT. Mr. President, I agree with the Senator about the size and terrifying nature of what we are facing with retirement of the baby boomers. But I disagree with him about the connection between this budget and that kind of disaster. I feel even as we are running surpluses right now, the disaster that is facing us is exactly the same size regardless of where we are right now.

My question to the Senator is when he references the Chairman of the Federal Reserve Board, with whom he and I both have had this discussion—we know how strongly Chairman Greenspan feels—is the Senator not aware Chairman Greenspan is of the opinion that the President's tax proposals did indeed help produce the recovery in which we now find ourselves, and indeed Chairman Greenspan has endorsed making the President's tax proposals permanent? Is the Senator aware of the fact Chairman Greenspan, even as he warns about the same things the Senator and I agree upon in terms of the problems of the future, says in the present context making the President's tax proposition permanent is a good idea?

Mr. CONRAD. I am fully aware of that. I say to the Senator the Chairman of the Federal Reserve Board has

also told the Congress to consider cutting Social Security benefits. That is part of the logic of where it all leads. The 75-year shortfall in Social Security is one-third the 75-year cost of the President's tax cuts. To suggest these two things are not related is to avoid reality—an unpleasant reality, but, nonetheless, a hard fact we have to cope with.

The fundamental problem we have here is our appetite for spending is greater than our appetite to tax ourselves to pay for it. I believe it is going to take an approach on both sides of the equation. I believe we are going to have to restrain our impulse to spend, and I believe we are going to have to be more disciplined on the revenue side of the equation.

The revenue side of the equation is what has really fallen out. We now look at this year and we see revenue will be at the lowest percentage of gross domestic production since 1950. While it is true we have seen an up-tick in spending largely because of the needs for additional money for defense and homeland security and responding to the September 11 attacks, it is still true even with that increase in spending that we are well below the levels of Federal spending in the 1980s and the 1990s as a share of our national income.

As I diagnose this problem, I come to a different conclusion than the Senator from Utah. I share with the Senator the conclusion we have to discipline spending. I also believe we have to work on the revenue side of this equation. I say the first place we ought to look is not to a tax increase but to the tax gap, the difference between what is owed and what is being paid that the revenue commissioner now tells me for 2001 was \$255 billion for the 1 year alone. We have not had any serious aggressive effort to go after this tax gap.

I was also told by the former revenue commissioner that he anticipates those in the vast majority who pay what they legitimately owe are paying 15 percent more because we have some—both companies and individuals—who are failing to pay what they legitimately owe. I am confident the Senator from Utah pays what he legitimately owes. I know I do.

Mr. BENNETT. Mr. President, if I could respond, I have no idea if what I pay is what I legitimately owe or not because the Tax Code is so impenetrable I did not get an answer out of two different people as to what the amount is. I pay the amount my tax preparer tells me I owe and so far the IRS has accepted that as legitimate.

Mr. CONRAD. I would be happy to review the Senator's returns and render another judgment.

Mr. BENNETT. Give me a third opinion.

If I could make a quick comment without the Senator losing his right to the floor.

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

Mr. BENNETT. I recognize fully the level of revenue currently coming into

the Federal Treasury is at a distressingly low historic point. But I go back again to a comment that Chairman Greenspan once made to a group of us. I am not sure whether the Senator from North Dakota was present. It fits in with the area of agreement that we have. He said to us: You can set the level of spending just about wherever you want. You can pass a law and be pretty sure spending will be where the law says it will be. You cannot set the level of income where you want. That is a function of the economy.

If we look at the period which we all look back on with such great satisfaction—that is, the years in which we were in surplus—one of the major reasons we were in surplus was that the economy unexpectedly, according to the computers at CBO, produced far more revenue than CBO scored. This came as a result of the balanced budget agreement, the agreement entered into with the Republican Congress and the Democratic President after the 1996 election, an agreement that the Speaker of the House in 1995 tried to enforce with heavyhanded political methods and got himself in trouble in 1995. But after the election, the leadership of the Senate and the House and the leadership in the White House with President Clinton sat down and we got the balanced budget agreement, the balanced budget proposals, and in that process the Congress insisted, the President resisted but finally agreed to cut the capital gains tax rate.

The CBO scored the amount of revenue we would get from that tax cut. The actual revenue, I believe, was five times as great as CBO scored it. No one had anticipated the rivers of cash that would come in.

Now, rivers of cash came in, in my view, because there was capital tied up in mature investments that wanted to find more entrepreneurial kinds of investment but believed that it could not move it—that is, the owners of capital believed they could not move it with the capital gains rate of 28 percent. When the capital gains rate came down to 20 percent, they figured that was enough to allow moving the capital out of mature investments and into entrepreneurial investments and we saw Federal revenue go above 22 percent of gross domestic production, which I don't think has ever happened before.

Now we are in a recession. There are no capital gains. The revenue has gone down into the teens in percentages of gross domestic production. The recovery, historically, can be depended upon to take care of that and the more the recovery persists, the more Federal revenue as a percentage of gross domestic production will rise.

I thank the Senator for his courtesy and will not continue this dialog because I am intruding on the good will of others, but I appreciate the opportunity to have engaged in this exchange.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. I might say for my part I always enjoy visiting with the Senator from Utah and his questions. He thinks about these subjects in a very careful and disciplined way. I always enjoy these chances to have a serious discussion and a serious debate that is all too lacking in the Senate.

Just momentarily, because I know the Senator from Nevada has a presentation he would like to make, and I know the Senator from Washington also has something, for the record I will provide the other side of the story with respect to something Senator ALLARD presented.

Senator ALLARD was making the argument that those at the highest income levels are actually going to bear a greater proportion of the total tax bill going forward than they did before the tax cuts. The analysis we have seen by others reaches a different conclusion. Let me share that with my colleagues.

This is done by the Tax Policy Center which is run jointly by the Urban Institute and the Brookings Institution. Their conclusion is those with very high incomes will be paying a smaller share of total taxes as a result of the Bush tax cuts.

Let me give three examples. Those with taxable incomes above \$1 million who constitute 0.2 of a percent of taxpayers would pay 12 percent of total taxes in 2006 without the Bush tax cuts. With the tax cuts, these same pairs will pay 11.2 percent of total taxes in that year. This includes not only income taxes but payroll taxes.

Second example. Those with taxable incomes above \$500,000, who constitute one half of 1 percent of taxpayers, would pay 17.4 percent of total taxes in 2006 without the Bush tax cuts. With the tax cuts, these same taxpayers will pay 16.4 percent of total taxes in that year.

Finally, those with taxable incomes above \$200,000, who constitute 2.4 percent of taxpayers, would pay 30.7 percent of total taxes in 2006 without the Bush tax cuts. However, with the tax cuts, these same taxpayers will pay 30.1 percent of total taxes in that year.

The Senator from Colorado was arguing that those who are at the high incomes will pay more of total taxes as a result of the Bush tax cuts. This independent analysis by the Tax Policy Center reaches just the opposite conclusion. When you look at income taxes and payroll taxes, higher income people, those at \$1 million, those at \$500,000, those at \$200,000, all will pay less than they would have paid without the tax cuts.

Finally, looking at it in a different way, under the Bush income tax cuts, the top 20 percent of income earners got 68.7 percent of the benefit. More striking, the top 1 percent of income earners, those earning more than \$337,000, got 33 percent of the benefit of the Bush tax cut. That is much more than any other income class.

Finally, looking at 2006, how the tax benefits stack up, in that year, middle-

income taxpayers, those who are right in the middle of the income stream, the 20 percent right in the middle, will receive an average tax cut of \$566. Those with incomes over \$1 million in 2006 will get an average tax cut of \$140,369. If these bars were actually proportionate, the bar representing the tax cuts received by those with over \$1 million of income would have to be 35 feet tall. It would have to be 35 feet tall in order to compare proportionately with what the middle-income taxpayers will receive in that year.

I thank my colleagues and yield the floor so the Senator from Nevada can speak.

I ask the Senator, will you give us an idea how long you intend to speak?

Mr. ENSIGN. Maybe 10 or 15 minutes.

Mr. CONRAD. Ten or 15 minutes. And then for the information of our colleagues, I ask the Senator from Washington, how much time would she like?

Mrs. MURRAY. Ten minutes.

Mr. CONRAD. After that, we will then probably close down the shop. We do not have any other speakers on our side, I say to my colleague.

The PRESIDING OFFICER (Mr. CRAPO). The Senator from Nevada.

Mr. ENSIGN. Mr. President, I want to make a couple of comments about the budget we have before us today.

It was an interesting process, once again, in the Budget Committee last week. We had a lot of amendments that went pretty much down party lines. But one comment I will make about the Budget Committee that is maybe a little more encouraging this year is the rhetoric was not nearly as harsh. And that, in an election year, I think is something positive to take out of the whole discussion in the Budget Committee. While there were differences, I thought it was at a little higher level this year—my second year on the Budget Committee—than my first year. I thought there was a little less rancor and a little more agreeing to disagree type of attitude on the Budget Committee.

There are differences between the two sides, and sometimes even within our own parties, as we look at making policy. The ranking member on the Budget Committee has made a lot of issues about deficits. I echo that. I think it is very important we get the looming deficits in the outyears under control because they are a huge threat to the long-term health of our economy.

Having said that, there are reasons for deficits, and there are acceptable reasons for short periods of time to run deficits. The two biggest reasons would be being in a recession and having a war. Unfortunately for our country, those both hit at the same time.

We had, obviously, the recession which started at the end of the Clinton administration and continued on into the early parts of the Bush administration. Then we had September 11 and the global war on terrorism. We had the huge costs for New York City, the

huge cost to our economy 9/11 has had, as well as the cost in increased spending the global war on terrorism has had. Given all of that, it is understandable why we have a \$500 billion deficit.

Where I would disagree with my colleague, though, is what are we going to do with it now. How are we going to go into the future to get our hands around this deficit, to bring it down to an acceptable level? I think an acceptable level is to do what we were doing; and that is, to start paying down some of the long-term debt. With the baby boomers out there, we have to have a growing economy. We have to get some of this debt under control so we will be able to afford some of the things people want to be able to afford, as far as our Government spending is concerned.

But we have to look at how do we go forward. What are our priorities? That is what the budget we have before us attempts to set. We have more money for education. We have more money for veterans benefits. We have more money for the defense of our country. We wish we did not have to be spending all this extra money on the defense of our country, but that is the primary role for the Federal Government, according to the Constitution, to defend the United States of America. This budget reflects that primary role of the Federal Government.

Having said that, I want to look at how we have gotten to the present deficit so we can have a document that takes us forward.

This pie chart we have shows the various reasons why we have the deficit we have today. About 40 percent of it, shown on the yellow portion of the chart, the largest chunk, is because of the poor economy. Some of that can be blamed on September 11. Some of it is because of a downturn in the business cycle, and we are coming out of it. But the fact is, that is a big part of the reason we are in this deficit.

Almost 40 percent—37 percent—comes in the red area on this graph, and that is because of new spending. That is everything from the war, education programs, veterans benefits, environmental programs, roads, everything you can think of. That is new spending. That is almost 37 percent.

The tax cuts have reduced revenues—out of a total of 100 percent of the reason for the deficit, it accounts for about 23 percent of the deficit.

You can also make the argument, though, that the economy would be worse without the tax cuts. Therefore, the yellow-shaded portion, which is the 40 percent, would be even higher without the tax cuts. Because what the tax cuts did—and Alan Greenspan has testified to this—is they stimulated the economy so fewer people were on the unemployment rolls and more were working. That is the reason we have a lower unemployment rate today. That includes self-employed people. That is a big part of what people are doing. They are starting their own businesses.

One of the big things we heard from a lot of States is their State budgets

are in trouble. We saw a dramatic decline in the value of the stock market. The NASDAQ, toward the end of the Clinton administration, was tanking. Then we had September 11. All of that, with the bad economy, kind of combined and we saw huge losses in the stock market.

Since the tax cuts we passed last year, we have had an increase between the New York Stock Exchange and the NASDAQ of \$4.5 trillion in value. We would see an increase in tax revenues at this point except there are so many people who had losses from before when the stock market tanked that we do not have a huge amount of increased revenues. But the fact is, as the stock market continues to go up, we are now poised to start reaping the benefits in new revenues to the Federal Government from the stock markets and capital gains taxes.

By the way, in the State of California, one of their biggest budget problems was the lack of capital gains taxes. The more the stock market goes up and the value of property goes up and the value of a lot of things goes up, the more State budgets are going to be helped, especially States that rely on revenue sources such as that, such as the State of California does.

I wish we could get more of a handle on Federal spending. I believe it is out of control.

I want to run through a few charts to show that when we were in surpluses, people got a pretty strong appetite. The ranking member on the Budget Committee talked about how we all have big appetites around here for spending. It is an easy way to get re-elected, to keep giving that money out. It is hard for people to say no. When we were in those surpluses, the appetite increased. Federal spending went up fairly dramatically. You can argue for every one of these programs, it was justifiable. But we have to realize we got to this point.

A couple of examples. These are simple examples. The Low Income Home Energy Assistance Program. You can see in the last several years how it had gone up. Then it went down for a few years. Now it has gone back up.

For the Centers for Disease Control, there have been dramatic increases in the last several years. The increases started in about 2000, and went forward pretty rapidly.

The child nutrition programs, you can see, continued, but with a fairly good uptick in the last few years.

The child care funding in around 2000 had a huge jump compared to what it was during the 1990s. It was fine when the economy was producing a lot of tax revenues.

This is the National Institutes of Health. Their spending, as you can see, has had a very rapid rise.

There are a lot of great programs, but the fact is, we have built a lot of spending into our budget now.

As Ronald Reagan said—and I am paraphrasing him—he discovered, when

trying to eliminate Federal programs or Federal spending: The closest thing to eternal life in Washington, DC, is a Federal program.

That was a true statement back then and remains so today.

Both sides of the aisle are going to have to come together and address the problem of Federal spending. The ranking member of the Budget Committee has argued that we need to start looking on the revenue side.

I have a philosophical difference of opinion because I believe increasing tax rates takes away the incentive for businesses to invest. I remember when I was in business as a small businessperson, and I maybe wanted to do an expansion on my animal hospital. As a practicing veterinarian, if the Government was taking more money, I would have less money to be able to make that decision. Maybe I couldn't add that extra employee or I couldn't do the expansion to add on to my building. The more money I had in my pocket because the Government was taking less, the more money I could pump back into the economy by doing an expansion of the building or by hiring another employee. Even if I didn't hire an internal employee, doing an expansion obviously puts other people to work.

That is why there is a philosophical difference between the two sides of the aisle on taxes and tax cuts. I want to put it in the hands of investors and entrepreneurs to stimulate the economy. It can be that low-income tax cuts, child tax credits, things such as that, help the economy because then those folks go out and spend money.

The bottom line is, we have to have a strong economy and have tax revenues going up. We are not going to cut spending around here—we all know that—but at least slow the rate of growth down to the point where the tax revenues start outpacing what we are doing spending-wise so that we can start taking care of these deficits and eliminate them within a few short years.

I am not a person who thinks that 7, 10, 12 years out is acceptable to have deficits where they take a dip down and then they start going back up. I believe we have to take it down as we did in the 1990s, take it all the way down to where we start actually paying off some of the long-term debt so that we leave our children and grandchildren with a smaller Federal debt than we currently have. If we don't, with the retirement of the baby boomers, our children and grandchildren will have to pay higher taxes.

It is important we join together across party lines and work out the differences we can, understanding there are philosophical differences. The one place we both agree is that we need to hold the line on spending. We will have different priorities of where that spending is, but we need to hold the line on Federal spending, especially over the next couple of years until the economy starts becoming robust.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I thank my colleague from Nevada. He is also a valuable member of the Budget Committee. I enjoy these discussions with him. He is thoughtful. We disagree, but we will have a chance to talk about some of those disagreements as we go through the debate.

I am going to take a moment to talk about some of these issues now, but I believe he does share a fundamental commitment to the notion that we have to get these deficits down. We may have some differences about how to do that. I believe we have to both restrain spending and work the revenue side of this equation. I don't think it is going to work without that.

Let me start with a little different take on what has caused this dramatic flip in where we are with respect to deficits and what we earlier projected to be surpluses. We have had, for the period from 2002 to 2011, a \$9 trillion reversal. As we look at the causes, here is what we see. The tax cuts are 33 percent of the difference.

The Senator from Nevada had a chart. I think it showed 23 percent. I don't quite know what the difference is, although I will bet in his chart he did not include the additional debt service as a result of the tax cuts. My recollection is it was 23 percent in his chart. We may also have a different timeframe.

Our analysis from 2002 to 2011 is that 33 percent of the disappearance of the surplus was from tax cuts. The second biggest reason was technical changes, primarily lower revenues—lower revenues that were not caused by the tax cuts; lower revenues that were because the projections were overly optimistic.

The third biggest reason was other legislation. It is spending. Most of the spending went to increased defense spending, increased homeland security spending, and the response to the 9/11 attack, rebuilding New York, the airline bailout, and the rest. Only 8 percent of the disappearance of the surplus for the years 2002 to 2011 is the result of the economic downturn. In our analysis, the biggest reason for the disappearance, the biggest single reason, is the tax cuts.

I am much less concerned about the tax cuts in the short term. I think all of us know you have to run deficits in the short term with an economic downturn, with the attack. It is the longer term policy of continuing to run these deficits that is truly dangerous and reckless.

When we look at where the increase in spending occurred, we can see that 91 percent of it is in these three areas: The increase in defense spending, which is by far the biggest, the increase in homeland security, and the response to the attack.

Here is what has happened to the debt under the President's plan. The debt is taking off like a scalded cat;

again, right before the baby boomers retire. The problem I see with the budget the President has put before us is there is no real progress on reducing the increases in the debt. The President says he is going to cut the deficit in half, but that is only because he leaves out whole areas of expenditures. But if you look at increases in the debt, what you see is quite a different picture. The debt keeps getting increased under the President's plan by \$600 billion a year, each and every year, for as far as the eye can see. At the end of the budget period it is increasing by \$700 billion.

The Senator from Nevada says we have to get back to reducing the deficit so we stop accumulating debt and so we are in a position to start paying down debt. That isn't where the President's plan takes us.

This is from the President's own budget document.

What it shows is record deficits, the biggest deficits in dollar terms we have ever had, a slight improvement in terms of the so-called unified deficit where all the funds are jackpotted, Social Security money is used to pay for tax cuts and other expenditures. But then look what happens. As the baby boomers retire and the President's tax cuts explode in cost, we are taken right over the cliff. That is the problem with the President's plan. It doesn't add up in the long term. It does not add up in the short term, and it takes us in a very reckless direction, one in which we will not be able to meet the long-term obligations of the country.

With that, I yield the floor and thank the Senator from Washington for being here this evening and for her invaluable contributions to the deliberations of the Budget Committee.

The PRESIDING OFFICER. The Senator from Washington is recognized.

Mrs. MURRAY. Mr. President, I thank my colleague for his tremendous leadership on the Budget Committee over the years and for his leadership in making sure we do the right thing in terms of deficits and also investments for this country.

I have served on the Budget Committee for the past 11 years, through recessions and economic expansions and during periods of surplus and periods of deficit. I know what responsible budgets look like because I have worked with chairmen from both parties.

I believe this Republican budget doesn't do what we must do to create jobs, improve our security, and to meet our country's needs. I think we can do better. That is why I am speaking out on the floor this evening. It is why I offered amendments in committee last week, and it is why I will be offering amendments on the floor this week.

Mr. President, this is a critical time for our country, and we need a Federal budget that meets our needs. We are facing many challenges today, from supporting our soldiers in Iraq and Afghanistan, to improving our security

at home, to recovering all the jobs that we have lost, and addressing the growing deficit.

This budget resolution should help us meet those challenges, but instead it offers the wrong priorities. It favors tax cuts over our Nation's security. It favors boardrooms over classrooms. It favors deficits over job creation. Frankly, this budget offers too little help for families in my State of Washington. My State still has the fourth highest unemployment in the Nation. This budget does not give families in my State the support they deserve as they work to turn our economy around and build for the future.

The people of Washington deserve a real Federal commitment because they work to create jobs and provide health care and improve our security and transportation. On the issues important in my State, this budget comes up short. I am particularly disappointed that the President's budget doesn't fulfill the Federal commitment to secure our ports, care for our veterans, to invest in education, to improve health care, or to provide the infrastructure we need to move our communities forward.

Not only is this budget bad for Washington State, but it is also bad for our country's economic future, lining up massive deficits for years to come. I hear many in the majority speak of the need for "fiscal discipline," but the rhetoric in this budget doesn't meet the reality. This budget continues the fiscal policies that have put our Nation's priorities in jeopardy.

Two weeks ago, Americans learned that the majority's policies are threatening America's retirement security in order to pay for their own irresponsible fiscal policies. Rather than backing away from a misguided economic policy that has cost us millions of jobs, the administration now appears ready to cut Social Security benefits for millions of hard-working Americans. I am not willing to tell the people of my State that they must suffer because of the fiscal mistakes of this administration or this majority in the Congress.

I want to turn to a few of my top concerns with this budget: port security, veterans, education, health care, and transportation.

In Washington State, we depend on our ports. One in 4 Washington jobs rely on international trade, and our ports are critical economic engines. Unfortunately, as we all know, in today's world, America's ports are vulnerable. A terrorist attack launched on or through our ports could bring our commerce to a standstill, threatening lives and jobs and really our economic future. We have an obligation to improve the security of our ports.

Unfortunately, this budget tells our communities that the Federal Government will not be a full partner in port security. This budget literally sticks our local ports and communities with unfunded mandates at a time when local and State budgets are already stretched incredibly thin.

The President's budget undermines port security in 4 ways:

First of all, it eliminates Operation Safe Commerce.

Second, it underfunds the Maritime Transportation Security Act by 93 percent.

Third, it doesn't provide the Coast Guard with the funding it needs to meet its growing missions.

Finally, the President's budget cuts port security grants by 63 percent.

Last week in the Budget Committee markup, I offered an amendment to stop the President's cut to port security grants. My amendment failed on a party-line vote. This fight is not over. I will continue to push this White House to pay its share of port security instead of passing those bills on to our local communities.

Mr. President, this budget also short-changes our veterans. Washington State is home to more than 670,000 veterans today. They rely on services they were promised when they signed up for service to our country. But the President's budget is \$2.6 billion below the independent budget recommendation for the VA.

The VFW, in fact, called the President's budget "harmful to veterans." The Disabled American Veterans called it "utterly disgraceful."

This is the wrong message to send at a time when the next generation of combat veterans is today risking their lives in Iraq and Afghanistan.

Last week, I offered an amendment in the Budget Committee to increase the VA construction account by \$400 million. Last year, Congress authorized the VA to take money out of its health care budget for these construction projects that will begin in this fiscal year. Unless we can increase that construction account, our veterans are going to face a \$400 million cut in their health care services.

The amendment I offered in committee would have protected our veterans from that cut. Unfortunately, the veterans amendment was defeated in the committee on a party-line vote.

Our American veterans deserve better, and I will keep fighting for them.

Let me talk about education. I really believe this budget fails, as we all know, to provide the funding that was promised in the No Child Left Behind Act. This Republican budget comes up \$8.6 billion short of what our local schools need to fully fund No Child Left Behind. I represent nearly 28,000 Washington State students who will be denied title I services this year under the President's budget request.

The President's budget falls \$84 million short of the title I funding that was promised to my State under the No Child Left Behind Act.

The President's budget also freezes funding for impact aid, dropout prevention, school counseling, afterschool programs, teacher quality, migrant education, and rural education.

How can we expect our students and teachers to succeed when we fail to

provide them with the resources they need? That is why I offered an amendment to provide \$8.6 billion to help our local schools implement the No Child Left Behind Act.

Once again, in committee my amendment failed on a party-line vote. We cannot expect our schools to do everything we required of them under the No Child Left Behind Act without the support we promised to them.

Let me talk about health care. I believe this budget also seriously jeopardizes health care for many in my home State of Washington. This budget could jeopardize critical support for community health centers, the community access program, NIH, and the CDC.

This budget also reduces our commitment to Medicaid. That is a program we should be expanding and strengthening to address the rising number of uninsured and increasing costs of health care.

Today, Washington State is struggling to keep its commitment to low-income children through the Medicaid and CHIP programs. Medicaid cuts could result in another 74,000 uninsured individuals in my home State alone. We need more help from the Federal Government and, frankly, this budget falls short.

Finally, let me say a word about transportation. Less than a month ago, this Senate passed a strong, bipartisan bill to invest in our Federal highways, transit, and transportation safety programs for the next 6 years. Unfortunately, despite the overwhelming support of the Senate, the budget that we see now before us today cuts \$62 billion for investment in our surface transportation needs. That is about jobs and about economic growth.

It is estimated that for every \$1 billion we spend on transportation infrastructure, we create over 47,000 good paying family wage jobs.

We know that investing in our transportation priorities today will help us not only improve our quality of life but will provide for our future economic growth. If this Congress truly cares about investing in jobs, we will provide the funding agreed to by the Senate less than 1 month ago today.

As I see it, as this budget is written today, it fails our families in areas such as security, veterans, education, health care, and transportation. I am hopeful that we can improve this resolution through the amendment process this week and really create a budget that makes the right investments, that is fiscally responsible, and reflects the priorities of working families across this country.

I look forward to working with my colleagues throughout this week to address those issues.

I thank the Chair, and I thank the Senator from North Dakota for his work. I see the chairman of the Budget Committee. I know this is the last budget he will shepherd through the Congress. I thank him for his commitment to our country as well.

The PRESIDING OFFICER. Who yields time? The Democratic leader.

Mr. DASCHLE. Mr. President, I wish to speak to the budget resolution for a couple minutes, if I can. I know we are getting closer to the end of the day. This budget, obviously, maps out this Nation's fiscal present and future in great detail, but this budget, as all budgets, is more than about numbers. It is about choices. The choices we make in a budget tell us who we are and what we value as a nation.

Unfortunately, the budget resolution brought to the floor by our Republican colleagues, like the budget proposed by President Bush last month, makes the wrong choices, sets the wrong priorities, and fails to prepare our Nation for the challenges we will face in the future.

Since President Bush took office, 3 million private sector jobs have been lost. Today, 8.2 million Americans are out of work, and the number of long-term unemployed is at the highest point in 20 years. But even with so many Americans looking for work, the Republican budget fails to provide a strategy for creating new jobs.

Nearly 60,000 veterans are on waiting lists for care at veterans hospitals. When our troops fighting in Iraq and Afghanistan return home, the lines could get even longer. But despite the extraordinary sacrifices our soldiers have made for us, the Republican budget offers veterans only longer waits and higher fees.

School districts across the country are facing an early end to classes because they do not have the resources to offer students a full year of learning. Despite the strain on local school budgets and the promises the President made in the No Child Left Behind Act, the Republican budget falls \$9.4 billion short of their commitment and leaves millions of children behind in the process.

Al-Qaida and other terrorist groups are still plotting against Americans and still capable of carrying out catastrophic attacks on American soil. Despite CIA Director Tenet's warnings of continuing threats, the Republican budget fails to provide our first responders and port officials the resources they need to make us more secure.

Our Nation is at war, our economy is flagging, our schools are struggling, and our Government is facing record deficits as far as the eye can see. Despite the tremendous challenge our Nation faces, this budget inexplicably proposes a staggering \$1.3 trillion in new tax breaks primarily for those at the very top.

When President Bush took office, he inherited record surpluses that ensured a rock solid fiscal foundation for a generation to come. But in 3 years, due to these reckless policies and irresponsible choices, this administration has steered our country toward an unprecedented fiscal meltdown. Rather than try to repair the damage caused by

these policies, this budget continues these policies and digs an even deeper hole.

This is not an accident. It is becoming increasingly clear that supporters of these policies have pursued them knowing that—some would say hoping—the record deficits would unravel the Nation's retirement security net.

Three years ago, the administration and Republicans tried to obfuscate this fact with budget gimmickry. During the 2000 campaign and numerous times since then, the President assured us that under his watch none of the Social Security surplus would be used to fund other spending initiatives or tax relief. But late last month, Federal Chairman Alan Greenspan blew the cover off this budget strategy. He, too, said, in 2001, that the President's tax breaks would not endanger Social Security, but now that the deficits caused by the tax breaks are unmistakable, Chairman Greenspan and the Republican leadership say it is Social Security that must be cut rather than the tax cuts that drove us into deficits in the first place.

In the face of the unending flow of red ink, President Bush publicly shifted his position as well. When asked his opinion of Chairman Greenspan's comments, President Bush responded:

My position on Social Security benefits is this: Those benefits should not be changed for people at or near retirement.

The President appears to be indicating that cutting Social Security benefits for the coming generation of retirees, including the baby boom generation, is an option he is prepared to take. The choice many of our colleagues are making is now apparent for all of us to see. They are choosing tax breaks for the wealthy elite over a strong Social Security system upon which every American can depend.

Democrats have a different set of priorities. In the course of the coming debate, we plan to offer a series of amendments aimed to repair our fiscal problems, keep the promises made to our seniors and veterans, and prepare our country for the challenges of the future. Each amendment will fix a glaring weakness in the Republican budget, and each will be fully paid for. In fact, most will actually reduce deficits that the budgets have created.

First, we will offer an amendment to strengthen Social Security. As I noted earlier, when President Bush was elected, he promised not to touch the trust fund. The administration flip-flopped on that promise, and in the last 3 years has taken \$550 billion from Social Security to pay for the tax breaks. But they are not done yet. According to the Congressional Budget Office, the Republican budget spends every penny of the 10-year \$2.4 trillion Social Security surplus on tax cuts and other Government programs. In other words, in 3 short years, the Republicans have gone from promising not to touch a penny of the Social Security surplus to proposing that we spend all \$2.4 trillion to fund their tax breaks and other Government spending.

We believe the Social Security system represents a solemn promise to our seniors, and we will propose an amendment that protects Social Security for generations to come.

Second, we will offer an amendment to help end the jobs crisis and get more Americans back to work. On average, more than 80,000 private sector jobs have been lost each and every month since this President took office. The manufacturing sector alone has lost 2.8 million jobs. We will offer an amendment that encourages the creation of American jobs, discourages shipping American jobs overseas, and provides dislocated workers the assistance they need.

Third, we will offer an amendment to provide the resources necessary to ensure that our veterans receive the care and treatment they deserve. According to CBO, the President's request is \$257 billion below last year's level when adjusted for inflation. With 60,000 veterans already on waiting lists for health care and tens of thousands of military personnel scheduled to return home from Iraq and Afghanistan as the newest generation of veterans, this underfunding will only increase an already unacceptable backlog.

Moreover, just as the administration last year, the budget also contains policies—higher fees and copayments—that will drive 800,000 individuals out of the system and make those who choose to stay pay more. When our soldiers in uniform come home from Iraq and Afghanistan, they will deserve a parade, and they will get it. But our obligation to our veterans does not end with the parade. Our amendment will give all Members of the Senate an opportunity to demonstrate their recognition of and appreciation for all these veterans have done for our country.

Fourth, Democrats will offer an amendment to fully fund the Leave No Child Behind law. This law offered schools a deal. It said, if you hold your students to higher standards, we will guarantee you the funding to meet those standards. Schools are holding up their end of the bargain, but the President has reneged.

In the years since the bill was passed, President Bush has failed to request the funding he committed in this legislation. This year, the President's budget request is \$9.4 billion short. The Democratic amendment will keep the promise we made to our children. This budget is a portrait of broken promises, bad choices, and misplaced priorities.

At a time when it is critical that we begin to regain a firm fiscal footing, this budget drives us even deeper in the hole. The White House and Republican leadership have chosen to continue their reckless fiscal policy all in the name of providing massive tax breaks to the privileged few and giveaways to special interests. As a result, their budget fails our veterans, our seniors, our children, and millions of Americans who are looking for work. We could do better. We must.

Our Nation has the resources to fulfill our promises to seniors, our veterans, and our schools. We need to make responsible choices. We need to honor the promises we have made. Our budget should reflect the priorities and choices of the American people. Democrats are ready to make sure it does.

I yield the floor, and 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. NICKLES. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. NICKLES. Mr. President, I think we are coming closer to concluding the debate tonight. I urge our colleagues to be aware of the fact that this is going to be a busy week. I want to make a couple of comments. I have heard two or three of our speakers say this budget shortchanges veterans and education.

I will throw out a few facts about what this resolution does. Sometimes people say they are referring to the President's budget, or they are referring to something they read in the paper. I will just throw out a few facts. The total amount of money we anticipate spending in education, mandatory and discretionary, is \$68 billion. That is a 9-percent increase over last year, mandatory and discretionary combined. People are acting as if there were significant cuts.

I also refer back to what we were spending in the year 2000. Today, it is at \$97 billion. So it has almost doubled since the year 2000, and yet we hear a lot of people saying we are cutting education like crazy. Education has grown, and grown dramatically in the last few years. Those are just a couple of the facts. That includes mandatory and discretionary.

On the discretionary side, we are anticipating a little over \$3 billion increase between 2004 and 2005. That is in the resolution, and people should know that.

I have also heard some comments on veterans. I will restate the facts. What we are assuming in our resolution is an increase of 14.3 percent for veterans, mandatory and discretionary, between 2004 and 2005. That is a big increase. Keep in mind, both in education and nondefense we are assuming very close to a freeze, but we are assuming a big increase for veterans, primarily on the mandatory side.

Congress did a lot of things last year to increase payments to veterans, including current receipts. So when we add all of these things together on the discretionary side, we are assuming over a \$1.4 billion increase, most all of that for medical care. Again, medical care has risen dramatically over the last several years. We are looking at programs that have been expanding dramatically. Let me mention a few figures.

In the year 1990, on the discretionary side for veterans, we spent \$13 billion. In the year 2000, 10 years later, we spent \$20 billion. Today we are forecasting \$30.5 billion. So it took 10 years, from 1990 to the year 2000, for discretionary spending for veterans to go up \$7.9 billion. Now, from the year 2000 to the year 2005, 5 years, it has gone up another 50 percent.

People say you are shortchanging veterans. Maybe no matter what figure we had in the budget there would be those same complaints. Veterans, if you add discretionary and mandatory, we have a 14.3-percent increase, if you add the two. Combined, discretionary and mandatory, \$61.45 billion to \$70.2 billion, there is a 14.3-percent increase. Yet I have heard three or four speakers saying we are shortchanging veterans.

I heard one speaker a moment ago say, yes, there are going to be new fees. The budget we have before us did not assume there will be new fees. The President did recommend a proposal increasing the prescription drug copay on priority levels 7 and 8, from \$7 to \$15. Those are mostly nonservice-connected disabled and high-income veterans. I think a very good argument can be made they should have a higher copay. That is not assumed in our budget.

We also did not include the proposal to establish a \$250 deductible, again on levels 7 and 8 nonservice-connected disabled and high-income veterans.

Those two proposals were not included; yet I have heard two or three speakers already allude to them, so I thought we should point that out.

We have significant increases for both education and for veterans. I urge our colleagues to become aware of that before they say they are going to offer amendments to increase funding because we are shortchanging education or shortchanging veterans. I think we are fair. Given the amount of deficit we have, I think we have very generous increases in both functions, and I urge our colleagues to look at that before they say, no matter what that figure is, they are going to be voting for more money. I think that would be a mistake.

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

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

TRIBUTE TO BRAD SEELY

Mr. DASCHLE. Mr. President, Brad Seely is a South Dakota native who was a standout player at my alma mater, South Dakota State University. He has since developed into one of the best special-teams coaches in the National Football League. When another South Dakota native, Adam Vinatieri,