

this House Chamber. We hear those of different party persuasions talk about these particular ideas and how they have enacted those.

Let's talk about fiscal responsibility. I went back and did a little research. In the early 1990s, government was taking about 22.1 percent of gross domestic product in 1992 of the American worker's paycheck, of business paycheck. That is 22 percent-plus. For the next 8 years under the Clinton administration, we saw government reduce itself, or be reduced not by itself, let me correct that quickly. I have never seen government reduce itself, but we saw those in government, Democrats and Republicans, working together to reduce the spending in government to 18.5 percent of gross domestic product as of the 2001 budget area, in that 8-year period of time.

It has now climbed back up to where it is 20.8 percent, and that is gross domestic product. There has been more increase in spending in the last 6 years in the budgets of the United States than in any time in history other than the Great Society years of the Johnson administration.

The principles I just read are ashamed of that, and those of us who serve here who are Blue Dogs are ashamed to say that the code that we have established for those of us who serve as Members of Congress of the Blue Dog Coalition are ashamed of what has happened in the last 5 to 6 years. Deficits have skyrocketed. We have gone from \$5.8 trillion in national debt to where it is a little over \$8 trillion of national debt.

A lot of that has been because the 12 principles that we have and hopefully will be putting in place in this U.S. Congress in the next 2 years, had they been implemented and been in place, we would not have seen this outlandish spending, nor would we have seen the American taxpayer be obligated to the debt they have.

My chief of staff just had a newborn baby who he says cries a lot. I said, Beecher, have you explained to him, little Willis, that he just inherited \$29,035? That debt is going to be his to pay.

Mr. ROSS. I thank the gentleman from Tennessee for joining us for this Special Order as we talk about the fiscally conservative Blue Dog Coalition's 12-point plan for meaningful budget reform, what we believe can lay a foundation to return us to the days of a balanced budget, to put an end to this reckless spending, to put an end to this deficit spending, and as we discuss our plan for accountability.

We are here to offer up commonsense solutions to many of the challenges facing this country today, Mr. Speaker. As I conclude, I would just remind you that the national debt as of today is \$8,701,316,295,722. And that debt during the past hour while we have been on the floor of this House has gone up by an estimated \$40 million. It is time to restore fiscal discipline to our national government.

#### TAX INCREASES PROJECTED UNDER DEMOCRATS

The SPEAKER pro tempore (Mr. WILSON of Ohio). The gentleman from Pennsylvania (Mr. SHUSTER) is recognized for 60 minutes.

Mr. SHUSTER. Mr. Speaker, I rise tonight to talk about and make the American people aware that we have 1,446 days counting down to the tax increase to the American people which will occur on January 1, 2011, if the new majority, the Democrats in Congress, don't act to extend the tax cuts that the Republicans put in place in 2001 and 2003.

So in 1,446 days, we will see that tax increase. The Democrats don't have to act, all they have to do is run out the clock. Run out the clock, and we will see a \$200 billion tax increase. It will be money taken out of American people's pockets between now and January 1, 2011, if they don't act.

Those tax cuts as I said were enacted in 2001 and 2003. And what we have seen is an expansion in our economy, a great expansion that continues to this day that has created over the last 4 years 7.2 million jobs. Just in the month of December, 167,000 jobs were created in this country. The unemployment rate is down to 4.6 percent. It is the lowest average we have seen in 4 decades, and that is directly attributable to the tax cuts that we passed in this Congress in 2001 and 2003.

Again, if we don't extend them, which I believe is the responsible thing to do so we see this economy continue to grow, we are going to take money right out of the pockets of the American taxpayers.

Mr. Speaker, we will be debating tomorrow a tax increase. It has not taken longer than 20 days for the new Democratic majority to increase taxes. There will be a great debate here, and there are many in this country who think we should increase taxes on our oil companies. But it is the reduction in the tax on our oil companies that has allowed them to go out and look for new oil reserves to decrease our dependency. Yet the Democrats are, as I said, in less than 20 days, are going to put a bill on the floor that is going to increase taxes already on a segment of our economy. We will talk more about that later this evening.

If we don't extend those tax cuts that we put in place in 2001 and 2003, you are going to take money right out of the American taxpayers' pocket, anywhere from \$2,000 to \$4,000, right in that middle income of America. That is money that they can save to put away for their children's college. They can save to put a downpayment on a car, or buy a new washer and dryer. But the most important thing is if we take that money out of the American taxpayers' pockets, it will be some bureaucrat deciding how to spend that money, and not an American family.

We removed 10.6 million low-income Americans from paying taxes in this country all together. We need to make

sure that those people stay in that position, that they are not paying taxes when they are low income. We lowered the tax rates on small businesses and employers, the critical employers in our Nation that create the jobs.

I hope that those on the other side of the aisle, the Democrats, will take a lesson from history from one of their own. Jack Kennedy, President Kennedy decreased taxes in the 1960s. What happened, there was increased revenue to the Federal Government. President Kennedy in the 1960s did the right thing. As I said, the revenues to the United States Government increased.

Ronald Reagan did that in the 1980s, and revenue increased to the Federal Government. Once again, history repeats itself. In 2001 and 2003, we cut taxes and what has happened is the levels of revenue the government has received are at greater levels than ever before in our history. That is what happens when you cut taxes.

By raising taxes, all we will do is stifle economic growth in this country. We will take money out of our small businesses; we will take money away from the American taxpayer. Once again, this economy will stop growing. It will stop creating the jobs it has created over the last several years.

I know I am joined here tonight by one of my colleagues who is a former small business owner and a former Army Ranger.

Mr. Speaker, I yield to the gentleman from Kentucky (Mr. DAVIS).

Mr. DAVIS of Kentucky. Mr. Speaker, we both had the opportunities to pursue the American Dream, to start our own businesses and create jobs. I look back on the last time there was a large increase was in the administration that came in in 1993 that passed one of the largest tax increases in American history. What that meant to our business was less jobs, money that could have been reinvested and employed more people. The one thing we need to understand is that people know how to spend their money better than government does, to keep it in their local communities, to stimulate that local economy. And the tremendous increases in taxes just went to further Federal spending.

I think the thing that we have seen by policies that allowed people to keep more of their own money is we don't raise taxes, we create more taxpayers. One of the things that is lost in much of the political noise that has gone on over the course of the last year is that revenues from income taxes have been at the highest point in American history because the most jobs have been created by allowing people to keep more of their own money.

But in the aftermath of the last election, what most folks don't realize is that the average working-class family making between \$30,000 and \$50,000 a year has voted themselves a tax increase of over \$2,000 that will take place in 1,446 days unless Congress acts as a majority.

I invite members of the Blue Dog Coalition, those that are fiscal conservatives, to join together with us to ensure that those tax cuts stay in place.

I have my son, Geoffrey, sitting behind me tonight who is 8 years old. I ask myself what kind of a country will he have. Will he have the opportunity to pursue that American Dream, to create jobs, to create a future and pursue his desire? That is what this is all about ultimately, providing personal freedom and discretion with their income to make a difference.

We cut taxes in every walk of life. We encouraged families by eliminating the marriage penalty and we doubled the child tax credit so families with a large number of children would not be penalized, but made sure that they could make an investment in their children. We lowered tax rates for all Americans. We removed 10.6 million low-income earners from the tax rolls. To say that these tax cuts were simply for the rich was a myth because the person who benefited was the working family and small business owner who could put their dollars to work in their community to build a nest egg for themselves and ultimately to build a future.

And what did it do on average? It returned \$1,670 to the average taxpayer who took that money and spent it on personal needs or invested it, building a future for their children and their children's children.

One thing that I found interesting when the resolution on tomorrow's energy vote came in, and I think we come from areas that are strong in manufacturing in Pennsylvania, Ohio, Kentucky, and Illinois. Energy security is one of the most important things that we are facing in the future of this Nation. We talk about it and we talk about initiatives that are going to create jobs coming from folks who have been in business. At the end of the day, what are we seeing, not only a tax increase in 1,446 days, but a tax increase on the American energy consumer that is coming by taxing domestic energy producers and pushing more business to Middle Eastern oil producers.

I have some comments on some legislation that we have been working on, but I yield back for your comments on this.

Mr. SHUSTER. I thank the gentleman. It is interesting to note, as we heard, that they are going to increase taxes in less than 20 days being in the majority. So it is going to be very interesting to see how many of our colleagues vote. I was interested to hear one of our new colleagues, Mr. WILSON, talk about change in America.

□ 2100

I don't disagree that the American people voted for change, but I don't believe that I heard anybody in my district that voted for me or against me, and I would be willing to wager that in Mr. WILSON's district in Ohio, a Southern conservative Ohio, that anybody there voted for a change to see our taxes go up.

I cannot wait to join with the Blue Dogs when I see what kind of budget they get an opportunity, if they get an opportunity to introduce a budget in this Congress. I know over the past 6 years that I have been in Congress the Blue Dogs have been able to introduce a budget. I voted for the Republican budget, but I think, and I hope we get an opportunity to vote for the Blue Dogs budget. If they get a chance in this new majority to offer one, I think their budget will be much more reasonable, much more fiscally responsible than the Democratic majority's budget. But once again, I don't believe the American people, at least any American I have spoken to, wants to see their taxes go up.

So once again, I would point out to those Americans that may be joining us here tonight, there are 1,446 days before there will be a \$200 billion tax increase imposed on the American people. And all that has to happen is that the Democrats have to run out the clock, and we will see many of those tax increases that my friend from Kentucky mentioned tonight, the child tax credit and those types of tax cuts we put in place that really will affect middle-class America if we don't act.

I would yield to the gentleman from Kentucky if he has a further comment.

Mr. DAVIS of Kentucky. Well, I think we need to put in real terms what is going to happen in 1,446 days, and that is a \$2,096 tax increase for every working family in America.

What does that translate into? For me, that translates into one semester of college tuition for my 21-year-old, who started student teaching this week. She is in her third year at Northern Kentucky University. And what does it hold for my son's future? What kind of opportunity is he going to have by restricting that annuity that could grow and remain strong in the future?

If we look at it in the bigger sense and talk about energy security in this tax that is coming, that is going to hit people in their bottom line, in the pocketbook and at the pump, one of the things we got to experience working together on the Armed Services Committee, we see much of the money that America sends to foreign oil producers is sent to unstable parts of the world. It is sent to areas like the Arabian Gulf that are a hotbed of extremism and instability.

We see what is happening in Venezuela right now, with a socialist dictator who has risen to power and threatening to nationalize the oil reserves and fundamentally to cut off America's gasoline supply. Fifteen percent of our gasoline comes from that part of the world.

The one thing that I want to comment on, from that standpoint, is we need to reduce our dependency on foreign oil, to keep more of our dollars here. And there are tremendous initiatives and opportunities that we have today that we could do to address this issue in many ways.

One of the things we have done in the Ohio Valley is to take advantage of the coal-to-liquid technology. It is a proven technology. South Africa produces 25 percent of their transportation fuel from coal. That is why we have introduced the Coal to Liquids Fuel Promotion Act of 2006. It is a bipartisan bill that I introduced with NICK RAHALL. He and I share the largest inland port in the United States, where the majority of America's coal is transited outward. Pennsylvania produces a tremendous amount of coal.

Think what we could do by decentralizing energy production, creating jobs here, and literally, as our floor leader, the majority leader in the Kentucky statehouse says, we could have another industrial revolution in the heartland of this country, creating millions of jobs, converting coal to liquids in an environmentally friendly manner, reducing our foreign oil dependency, stimulating jobs here, and giving our youth a future. And replicate that also with biomass, biodiesel, ethanol, and many other types of products.

And I yield to the gentleman from Pennsylvania to follow on.

Mr. SHUSTER. Well, that is absolutely as you mentioned. In Pennsylvania, in its coal fields, we need to unleash our companies in America, whether they are coal companies or companies developing biodiesel or ethanol or wind. And even our oil companies, we have to encourage them to go out there and to continue to look for new oil fields.

Tonight was a bit of a surprise, but very appropriate that we heard that the Rules Committee has put out a rule we will debate tomorrow for our very first tax increase under the new Democratic majority.

We are joined here tonight by Mr. CONAWAY, another colleague of ours, who happens to be not most importantly a CPA, which I think is important because he understands the language of business, understands the balance sheets and income statements which many people in this body I do not think understand, but also he comes from the gas and oil business in Texas.

So with that I would like to yield to Mr. CONAWAY.

Mr. CONAWAY. Well, I thank the gentleman from Pennsylvania for letting me join tonight's conversation, and I wanted to speak directly to that tax rate increase vote that will happen on Thursday as a part of what I believe to be a very misguided attempt to punish a segment of our economy that quite frankly is doing a job that all of us want.

It would be curious if I could ask all of our colleagues collectively in this House how many of them walked to Washington, D.C. from their home district; actually physically walked, or rode a bicycle from their district here, or horseback, maybe came on horseback or a horse-drawn carriage. Could we get anybody to raise their hand?

Even the folks who live right across the river. Ms. NORTON, I guess, could say she walks in. But I would say that every single one of our colleagues comes to Washington, D.C. and leaves and goes back to their home districts in a car or an airplane or a train, or some mode of transportation that uses at its core fossil fuels to get us back and forth.

The bill on Thursday directly penalizes the folks who provide that resource that we all use every single day. It is hypocritical and two-faced of us to on the one hand say that, yes, we need to be independent of foreign crude oil and foreign natural gas, as our good colleague from Kentucky said, we are sending billions of dollars into the hands of countries and nations that in all likelihood are using some of that money to hurt us, to talk about getting away from that and at the same time, on the other hand, wanting to directly penalize those small producers and large producers in this country that provide the domestic crude oil and natural gas supplies.

I have seen some data which shows that the small independent producers in this country in 2005 reinvested 617 percent of their profits back in the ground. Now, think about that: Not 50 percent of what they made, not 70 or 80, but 600-plus percent of what they made back in the ground. So what this legislation will do is take dollars away from them and bring them to Washington, D.C., and albeit they are going to try to sequester those dollars to be used somewhere else, I would argue every dollar we suck out of these producers is a dollar that doesn't go back in the ground or produce domestic crude now, which we need.

I don't think anybody argues that we have a short-term problem and we have a long-term problem. The long-term problem with coal gasification and other things, nuclear, whatever they might be, those are long-term solutions. Nobody expects us to be able to put a very big dent in our energy needs in this country in the near term from anything but fossil fuels.

And for goodness sakes, why would we begin on Thursday to lay in place the groundwork to penalize those very people who are producing domestic crude oil and domestic natural gas? It is wrongheaded. Now, it makes great drama to be able to beat up on the oil companies.

In all fairness, I come from an oil and gas producing province, west Texas. I am very proud of the oil heritage and I am very proud of the supplies of oil and natural gas that those hardworking, risk-taking individuals have provided you and I in this country since Spindletop in Pennsylvania.

So it is wrong headed by our Democrat colleagues to want to tax those individuals differently than we tax other manufacturers. The specific codes section, 199, that we are going to snatch the oil and gas producers out of and in effect increase their tax rates, was put

in place in 2003 by a Congress that said we need to incent manufacturers in this country, jobs that stay in America. And we are going to do that by a combination of wages paid within the manufacturing environments in this country to affect the tax rate.

The idea was to take the corporate rate from 35 percent down to between 32 and 33 percent on manufacturing activities in the United States. And the definition was written intentionally by the Congress to include oil and gas exploration as manufacturing. It also includes timber and other kinds of things that don't normally come to mind when you talk about manufacturing.

But the incentives for 199 weren't put in place just for the oil companies. They were put in place for all manufacturers to incent people to produce in America, to produce jobs, to produce products that we can sell and export or use within this country.

And now, on Thursday, we are going to have an opportunity to flush out where everybody stands. A lot of rhetoric in October about who is going to do what to whom and all those kinds of things, but Thursday will be our first chance for all of us to decide whether we are tax increasers, or we are against domestic oil and gas production in the near term and in the long term with this specific vote on the bill, H.R. 6, that will be up on Thursday.

So I appreciate being able to pitch in on that subject, and I have some other thoughts later on in the evening, but I would yield back to either of my colleagues.

Mr. SHUSTER. I yield to the gentleman from Kentucky.

Mr. DAVIS of Kentucky. I just think one thing the gentleman from Texas brought up is very important for us to realize, and that is manufacturing jobs are the best benefit providing jobs we have for working families in this Nation. Eighty-four percent of manufacturing jobs provide full benefits, health care, retirement, opportunity for the future, and that sense of security.

What this tax increase is going to do by addressing domestic oil producers is not simply a strike at a mythological big oil company. The international oil producers are not going to be affected by this. They simply have to step back and let the law of supply and demand take over. Who is going to be affected? The local oil producers, the wildcatters, those small investors in Kentucky, West Virginia, Texas, Pennsylvania, Illinois, and other States throughout the heartland that create jobs.

In addition to that, dollars for research and development are going to be disincented. With a tax credit is the opportunity to reinvest that, to find new sources of oil, and more importantly develop new technologies that can bring it forward in a low-cost way and create more jobs.

But it is not just the small producers. It will be the distribution chain. Those small refiners, like our

Catlettsburg Refinery, which creates hundreds of jobs in northeast Kentucky and affects thousands of jobs in the local economy, will be adversely affected by this. It will impair their ability to grow and it will hurt the future for people there. Down the supply chain, the distributors of gasoline and petroleum products.

And, again, it is not Big Oil. It is the local convenience store owner, the person who drives that replenishment truck going to the gas stations. It is the lawn care business that might be in somebody's neighborhood or the individual who is taking parts to the manufacturing company. It is going to be the person who distributes milk and food products. It will put a cost burden on every single consumer in this country.

Not only will there be a tax increase, but there will be inflation as a direct result of this. Ultimately, it comes down to our consumers. Because if our farmers and manufacturers are all going to be burdened with this, ultimately it will pass to us. And what sounds good in reality is a big, big mistake, because it is taking money out of the economy, and it will send it elsewhere and will keep it away from incentives that will create jobs.

We need to make investments in energy, in natural gas, and in oil. Natural gas is critical for our manufacturing economy. But the Democrats in Congress overwhelmingly voted repeatedly in the 109th Congress. Congressmen CONAWAY and SHUSTER and I saw this, where in fact one Member was chased down into our Cloakroom to change his vote after Hurricane Katrina against expansion of refinery capacity.

We need to make sure that we have natural gas on the Outer Continental Shelf and we use the resources that we have here, like the Alaska National Wildlife Refuge, in an environmental friendly way to make sure that our economy, our future, is put first, so that children like the young man sitting behind me here can have a job and a future when they grow up.

But what we see is this tax increase now and the tax increase in 1,446 days, and I yield back.

Mr. SHUSTER. Well, I appreciate the gentleman's yielding back, and I don't think anybody should be surprised at what we are seeing. I put a quote up here by Representative RANGEL from New York, who is now the chairman of the Ways and Means Committee. Before the election he vowed to put all of President Bush's 2001 and 2003 tax cuts on the chopping block.

Here we go, 20 days into it and this is the start of it. This is the start of what we will see over the next 2 years, which is an increase in taxes. And some of them they won't even have to enact. They will just expire.

□ 2115

But I wanted to ask a question to the gentleman from Texas who knows the oil and gas business much better than

I do. But, you know, basic economics, if you take away, if you actually disincentivize, put a disincentive to a company to go out and explore for oil, when we see that, the oil companies and the wildcatters and the small business entrepreneurs who are in the oil and gas business, not going out there and finding new sources of oil and gas, when we see the supplies go down that is going to cause prices to increase. And I wonder if the gentleman from Texas would comment on that.

Mr. CONAWAY. Let me just comment on that. Let me make one clarifying point. You said, we are 20 days into this issue. The 18th will be our 14th day. And the first tax increase will come within the first 2 weeks, on the 14th day.

Mr. SHUSTER. It is good to have a CPA on board.

Mr. CONAWAY. I only bring that up because of the emphasis on the first 100 hours. There seems to be some magic about those first 100 legislative hours. And I want to make sure that the record is straight on these numbers.

Mr. DAVIS of Kentucky. If the gentleman would yield.

One thing I would like to point out, just having come from an entrepreneurial business background like you. The idea of working 100 hours would normally translate into about 3 days or 4 days worth of work, possibly 5 if you had really to get something done, if the product had to get out the door at the end of the month, if the system had to be implemented, if the equipment had been to be rigged and installed. And I think what we have here was somewhat misleading to the American people who expected 100 hours in the last Congress would have been accomplished in a very short period of time. But I think we are taking a more comfortable pace, doing 100 hours 2 hours at a time. Instead of having votes ending at midnight or 1 in the morning we are getting done at 3 in the afternoon now.

Mr. SHUSTER. Somebody mentioned to me that we were cramming in 2 days of work into 5 days. So if people really, if Lou Dobbs is watching tonight then he ought to be talking about our work schedule here, what we are really doing, not just the fact that he was ranting and raving about us not working on Monday because of the national championship game. Let him come down here and see what we are really doing.

Mr. CONAWAY. Let me comment on what happens, or the mechanics of the exploration business in the domestic arena. I have got some statistics here that just are almost incomprehensible in their scope. E&P is an acronym or initials for exploration and production companies. Those are the folks that take the risk. They start by trying to find rock, underground, sometimes 2 and 3 miles deep, that has the potential for bearing oil and gas. And they do this through a variety of means, through seismic and geology, and sometimes just flat out guessing. But

they do their best science at the project to try to determine where oil and gas might occur. Now it doesn't occur everywhere, unfortunately. But it does occur in certain spots. And it starts off with a geologist or a geophysicist or somebody who has an idea that this particular province or this particular area may produce oil and gas. So they spend some up front money trying to decide whether or not there is the potential for oil and gas being in place. They then will send out a land man to acquire the rights to drill in the acreage that they think is prospective. And this land man will go to the land owners and the mineral interest owners and others and he will try to lease this property, lease the mineral rights, lease the ability to drill for oil and gas from each and every one of those. And that can take a great deal of time. Again, more money invested, salaries and travel and other kinds of things trying to put the prospect together.

Once they have got the right to drill in the area, then the operator, the person putting this thing together in all likelihood generally does not have the money to risk 100 percent of the well. As an example, we have got some, Barnett Shale Wells in Texas, that it is 4 to \$6 million for dry hole costs, meaning you are going to risk 4 to \$6 million before you know whether or not there is any oil and gas in that particular horizon. A lot of money at risk.

So this operator will go to, let's keep this simple. He will go to three friends in the business and he will say I want you to take a quarter of this deal and I will take a quarter, you take a quarter and a good colleague Mr. SHUSTER will take a quarter, and let's go find somebody else to take that fourth of it. And together we will share this risk of drilling this prospect. So you put up a million and my good colleague from Kentucky takes petty cash for his million, and I squeeze my cookie jar for my kids, and I get my million together, and we go drill this well.

Now, the drilling of the well involves hiring a drilling contractor, because the operator is not going to own any drilling equipment, so he goes out to a drilling contractor to hire the rig on a day rate basis or a footage basis or a turnkey basis, all these kinds of special terms, to actually drill the hole into the ground. And you have got all kinds of service companies that go along with it, pipe and mud and logging and all kinds of equipment and services go into trying to decide whether or not there is oil and natural gas in this rock.

And then if there is you do the appropriate test, then you run pipe and you incur additional costs. The completion costs in our example, let's say that is another 2 million. So we have put up our 4 million. Now I have got to come back to you for the other \$500,000 each in order to be able to complete the well and begin the process of producing that oil. And right now, all of this is sunk

cost. There is no way to recover much of this cost. You can get a little bit of the pipe out of the ground, but most everything else is sunk. And so if we don't produce oil and gas from that well our investment is worthless. I mean, it is just flat out worthless.

Mr. SHUSTER. \$4 million gone.

Mr. CONAWAY. Gone. And much of the \$2 million we spent completing the well will also be gone and there is no way to recover that. So the folks in this business are big time risk takers.

Now, let me show you how big time they are. In the 5 years in between 1999 and 2005, I guess that will be 6 years, the smallest U.S. E&P companies reinvested 898 percent of their profits back in the ground. Now what that means is they took their profits, as well as borrowed a lot of money against the reserves that they found in the ground to reinvest in the oil business. All the way up to the super E&P companies, those are the large publicly traded companies that are in the exploration and production business. They have reinvested 247 percent of their profits back in the ground to find additional oil and natural gas reserves.

The integrated, U.S. integrated oil companies, the very largest in our country, ExxonMobil, Chevron, Phillips, all these guys, 174 percent of their profits back in the ground.

So, as we take dollars, whether in this tax increase that we are going to, however they come out of it, those are dollars that will not go back into the ground to find additional supply of domestic oil and natural gas. And each time we do that, it reduces the investment, it reduces all of the activities that are associated with that. And the bottom line is that we have a shortage of supply of crude oil and natural gas. And the law of supply and demand generally works in most businesses. It clearly works in this business. And if we have a shortage of, as we saw, as Katrina, shortages as a result of natural disasters and other things, you get a spike in prices.

Well, we have got a systemic problem with crude oil and natural gas worldwide because, in addition to the supply not going up nearly as fast as the demand is going up, with China becoming an industrialized country and India becoming an industrialized country, the demand for crude oil worldwide has outstripped our ability to produce and increase the production in crude oil.

That could be temporarily offset if we could drill in places like Iraq and Iran, where they have let their oil and gas industry languish for lack of investment and upgrading. But even then that would only be a short-term fix.

So the impact that this tax rate increase will have on Thursday, if it turns out to be a law, is that there will be less searching for domestic crude oil and natural gas. And it seems counter-productive to me to talk, on the one hand, about reducing our reliance on foreign crude oil and natural gas, and then turn around and penalize and rein-

in the people who are trying to provide domestic crude oil and natural gas.

Mr. SHUSTER. And we are seeing right now, I think the latest thing I read was the price of a barrel of oil was down to \$51 a barrel of oil. Average gas prices going down. And some of that is a direct response to the supply people out there finding oil. It is also in response to some of the demand has cooled off. People are trying to use less.

Mr. CONAWAY. If the gentleman would yield. One of the things that it was a bit counterintuitive in west Texas, there was no bumper sticker. The old business has gone through a series of booms and busts that, I suspect are typical in most businesses, but they are pretty dramatic in the oil business. In 1986 there was a bust. In the early 1990s there was a bust. Late 1990s there was a bust. In the early 1990s, when the price of crude oil dropped, there was this bumper sticker that said Dear Lord, give us one more boom and we promise not to screw it up.

And then we had the real dramatic bust in 1998–1999 where the price of crude went to 10 bucks a barrel for sweet crude, and even less than that for sour crude. Things were really grim. Thousands and thousands of jobs pushed out of the oil business.

And so when the prices began to rise, in the early 2000s, and when they began to push past 40 and 50 bucks a barrel and into those ranges there was a real lag in the up tick in activity. Most folks would have said, what do you think the drilling, the number of drilling rigs working in the United States would be if the price of crude oil was 45 bucks a barrel? And when it was at that point, 2002 and 2003 and 2004, most folks would have said, the number of drilling rigs operating in the United States would have been much, much higher than it really was. And the reason for that was there was a real cautiousness on the part of these exploration and production companies as to whether or not that price would really hold, were they going to get a drop in price. So there was a real cautious reinvestment in the business that was going on during that time frame because, quite frankly, the pros in the oil business weren't sure it was going to last.

Now, we have been in these prices for a lengthy time now and you are seeing the kinds of drilling rig rates and activities in the domestic production that ought to be happening when you have got prices at this level. So it is a wonderful industry. It provides great jobs. Those jobs provide benefits, and it is a wonderful experience. Most of those jobs are “living wages,” is that phrase that is bandied around from time to time. And to penalize them directly on Thursday is wrongheaded and extreme.

Mr. SHUSTER. And I think we mentioned earlier, Mr. DAVIS mentioned about pushing it off to other countries

in the world. We are going to penalize our own domestic production, and those folks around the world that aren't necessarily our friends, Iran being one of them, they can bring up that crude out of Iran. And it is a scary situation what has happened. I know that the President of Iran was down in Venezuela. Iran has no refining capacity or not much to speak of, and Venezuela is one of the largest refiners. So what we are going to see, I believe, is Iran making a deal with Venezuela, that they will pump the crude in Iran, and another one of our enemies, Venezuela, will refine it for them. So this is a national security issue. It is not just about taxes. It is about making sure that our domestic producers are out there looking for oil and keeping our reliance, lowering our reliance on foreign oil sources.

Mr. DAVIS of Kentucky. I think you bring up a good point when you talk about the national security implications before we come back to some of the domestic impact of this. Looking at the news today, we see threats. In particular, we are dealing with some very complicated situations in Iran. They are committed to developing nuclear weapons, possibly as a deterrent, possibly for an offensive capability. Sometimes they think about, people want to look with a simplistic view on what Iran might do to the world energy market by closing the Straits of Hormuz. But the Iranians are good businessmen, too. And the one thing they understand is they don't have to have a military solution to impact world oil markets. By reducing their production by 10 percent would cause a devastating disruption in Europe and Western oil commodity prices. It would ripple through all prices in America, and they would still make the same amount of money on the gross margin that they made with a greater amount of production by the impact on the market.

This tax is simply irrational that the Democratic majority is bringing forth this week for a vote. It is anti-jobs. It is anti-health care, and it is anti-education. It is anti-jobs because dollars that would be invested in job creating technologies are going to be removed. And who gets affected by this?

The view in the TV commercials supporting these types of things is the wealthy super executive on the big corporate jet. But what they forget about is the welder who depends on that, the small welding shop that does fabrication work in Ponca City, Oklahoma. They forget the seismic vibration technology manufacturer that makes the big heavy trucks with the seismic vibrators that go out and read the ground working with seismic engineers to help find where those oil reserves are.

And as my colleague from Texas pointed out, there is a tremendous amount of risk. It is not a science. Purely there is an art to this, to find those resources and then once they are

found to see how they can be pulled out of the ground economically.

In my own district we have Newport Steel, a tube and casing manufacturer that almost exclusively supports domestic oil exploration and production. They are going to be hurt by that. Those are jobs in a troubled industry right now that is fighting to compete internationally.

□ 2130

We talk about concerns over foreign competition, concerns over competition with China. Guess what the Chinese are doing? Last week or week before last, the executive vice foreign minister, the incoming foreign minister in China announced, that they are making heavy investments in alternative fuel technology to create transportation fuels, coal-to-liquid technologies, biomass. They are investing in other technologies to offset those demands that they see the rest of the world growing from demands in Middle Eastern oil.

In addition to that, let us think about the working families who needs this. There is a reason that the International Brotherhood of Boilermakers supports investing in these alternative technologies, in coal-to-liquids and biomass and ethanol to build these plants, to decentralize our energy supply and localize it so a storm like Katrina will not hurt it.

But guess what, if we raise these tax that this bill purports to do this week, the investment capital that would create those jobs, that would take those risks instead of the private citizens spending their money would be gone. Who is going to get hurt by that? The very people they say they are going to help, because not only will it eliminate jobs, those manufacturing jobs, 84 percent of which have health care benefits provided for their employees, they are going to be affected.

It is anti-education. How? The one thing that we talk about, and I talk about with teachers and educators throughout my district is the need for money, for investment in learning, to keep up, building schools, providing books, training teachers, continuing professional education for our teachers.

I have a daughter who has begun her student teaching now looking at a career in education. Where will the dollars come to pay for her future or my son's future? That comes out of the property tax; it comes out of income taxes. That means that you have to have taxpayers to do that.

The government cannot magically wave a wand and create money. It is going to be people investing in labor, adding value and creating a profit. When we see that the last refinery that was built domestically was in 1976, we have a very serious issue, considering our population has increased by over one-third since then.

I would be curious of your experience looking at manufacturing in the energy industry in Pennsylvania and your comments from that perspective.

Mr. SHUSTER. You are absolutely right. This tax increase that is going to occur is going to have a ripple effect throughout the economy. There are those on the other side that think they are going to punish the oil companies. They are not. Plain and simple, it is going to punish manufacturing, it is going to punish people that are employed in this country, people that are paying taxes in this country.

But once again, we should not be surprised. Nobody in America should be surprised when we see, I was corrected, 14 days into this Democratic majority, when you have the new chairman of the Ways and Means, Mr. RANGEL from New York, who said back in an interview before the election, back last spring, actually, that the tax cuts that President Bush put in place were beyond irresponsible, and he also said he cannot think of one of those tax cuts in the first term of President Bush that deserves merit.

Does that mean the R&D tax credit, which I think we successfully extended, does that mean that they will repeal that and repeal some of those R&D tax credits for alternative fuels? When you think, I see Geoffrey here, you told me he is 8 years old. If a family of four has their taxes increased, that is going to be about \$2,100 a month.

Well, if you had that \$2,100 a month, which you do today, and you took the \$2,100 and invested it every year in the banks, so that Geoffrey, 8 years old, 10 years from now to go to college, he would have \$30,000 in the bank. That's a great nest egg for your children to help put them through school so when they get out of school they don't have debt. You know, we talk about all these government programs, when, in reality, let the American people keep more of their hard-earned dollars so they can save that money for 8-year-old kids like Geoffrey so that he can go to college in the future.

Mr. CONAWAY. Looking at the tax cuts for 2001 and 2003, it might be helpful to get into the RECORD what one of the impacts has been from those, from that tax policy being in place. I may be the only guy in Congress who drags this out once a month, but once a month the Treasury Department publishes a statement of the cash receipts and cash disbursements for the United States Government.

It makes for some interesting reading. For the first quarter of fiscal 2007, which was last year's, October, November, December of 2006, the Federal Government's deficit for those 3 months was \$119 billion. That is a lot of money.

For the equivalent period this year, for the first 3 months, fiscal year 2007, which we have just finished in December, the deficit is \$80 billion, so a \$40 billion improvement over last year. Why is that?

Mostly because tax receipts and government receipts are significantly higher again this year for that quarter than they were last year. Last year was a double-digit increase. The year before

that was a double-digit increase in tax receipts.

This year we have collected year-to-date from income taxes from individuals, \$251 billion, versus \$230 billion last year. This year, corporate income taxes are up the first quarter, almost \$99 billion versus \$81 billion. That has happened because this economy continues to grow.

More people are working now than have ever worked. When those folks worked, they paid taxes. That doesn't count the Social Security taxes and all the other excise taxes that come into this Federal Government, but the truth of the matter is this economy is working and working well.

Let me brag real quickly on taxes, which might surprise you that I would brag on taxes. In 2003 when our legislature, which meets every other year, came into session, they were facing a \$10 billion deficit. The comptroller was projecting the State revenues over the next 2 years, 2003–2004, would be \$10 billion short of what the spending was going to be. The Texas legislature dealt with that and that legislature, the senate and the house and the Governor did a great job with it. The legislature that went into session a week ago today in Texas, for this year's biennial, is facing a \$15 billion surplus, pretty dramatic turnaround in 4 years.

The reason for that is this economy is continuing to jet along and to boom, no matter what the naysayers are talking about. All the angst that is in the American public, when you look at facts, every criterion you look at, this economy is better than it used to be, better than it was this time last year. So the change that was talked about that happened on November 7, I don't think the change, as you said earlier, was to change this economy, to drive people out of work, to reduce homeownership, to increase tax rates on those who do have jobs.

I didn't sense anybody campaigning for that. I certainly didn't have any folks in my district come up to me and tell me that is what they wanted to have happen as a result of this change on November 7. I appreciate the gentleman letting me get those facts into the record.

Mr. SHUSTER. I agree with you the American people didn't vote for a change of this economy. They didn't vote for a change to increase taxes. We are in deficit not because we tax too much; it is because we spend too much.

You know, our colleagues from the Blue Dog Democrats side, they are right when they talk about fiscal responsibility. They are right about controlling spending. I think their number one of their 12 points is to have a balanced budget except in time of war or in a time of recession. Well, that is what we had in early 2001, 2002. We are still at war. We are not in recession any more. But the way to solve this problem is to control spending.

As I said earlier, I am eager to see what the leadership of the Democrats

allows the Blue Dogs to propose. I know that over the last 12 years, I think the Blue Dogs, every year, produced a budget that was voted on here on the House floor.

Once again, I am eager to see what the Democratic leadership allows the Blue Dogs to do, because I think they will propose a responsible budget more so than I think the Democratic leadership will. Again, we are going to wait and see what happens.

Once again, I don't believe that the American people want to see us increase taxes. If we don't act, if the Democrats don't act in the next 4 years, we are going to see a slow expiration and an increase in the taxes the American people pay to the tune of \$200 billion by the first of 2011.

Mr. CONAWAY. If you look at those numbers, we have had tax receipt increases here, but they have come in the right way. They have come in the way where you have had more people paying and all those kinds of things. I am hopeful that the budget that does come forward understands that we have got a spending problem and not a revenue problem.

If you are in business, as you did in the car business, and my good friend did in his small businesses, and you are looking at deficits, you rarely have the option of raising revenues when you are in business. Yes, you have got to put more emphasis in sales; you have to do all those kinds of things. But the way you are most assured of being able to deal with your deficit is to cut your expenditures.

That is where most responsible businessmen go at first when they are in circumstances where they need to eliminate a deficit. There is more emphasis on the cutting of spending and trimming back on expenditures and then try to do what you can with revenues. It is only in this arena where revenues can magically appear by the signing of a pen without a great deal of hard work to go in and do that.

Mr. SHUSTER. It is the equivalent, it is one thing if you own a business to have more sales; but what we do, you raise the price, and when you are in business and in trouble and in deficit, you can't just go out and say, oh, I am going to raise the price of the car, raise the cost of the washer or dryer. That usually doesn't work. Usually what happens when you raise the price, the market, the demand is not great enough, it will drive down your revenues.

What we are doing here is raising the price. It will drive down revenues, as it always does. As we said earlier, whether it is President Kennedy in 1960 or Ronald Reagan in 1980 or President Bush in the early 2000s, when you cut taxes it spurs the economy, and it creates more revenues.

Mr. CONAWAY. One thing that does happen to you, when you raise the prices of your goods, your competitor across the street, who may not be in the same financial circumstances,

keeps his or her price the same. Wouldn't it be interesting if we had some alternative to government, where the folks said, which one of you folks can do the government the best and raising prices in that arena would be much more difficult than we have today, where all it takes is 218 of us on this side and 51 on the other side to make that happen as opposed to hard work and sweat and labor that is usually required for folks to make money in the private sector.

Mr. DAVIS of Kentucky. I think the gentleman from Texas brings up a good point. I come back to what made this country great, and it was entrepreneurial spirit where an individual could take a small amount of assets, invest it, start a small business.

In the smallest vein, these policies, my son, who was running around here a moment ago, and his brother, Daniel, and sister, Miriam, decided they were going to start a lemonade stand because they wanted to create economic opportunity for themselves. They pooled their allowances, they went to the store, they bought their resources, and they began to sell it.

Mr. CONAWAY. Did they pay rent on the front steps of the shop?

Mr. DAVIS of Kentucky. I did a long-term note for them for room and board. We will work that out with the family tax man over time.

But the good news is, I think all young people, when you see kids in this country have that natural desire to create opportunity, and what do we do with Big Government? Big Government stifles that opportunity.

We stifle it by creating excessive regulations. We stifle it by tax. What might sound good, again, I come back to the politics of class warfare where they say, oh, we have got to just stop these profits from going to companies. It is not fair for somebody who is working 100 hours a week in reality to be more successful than you. But it is those people who are creating the jobs for others. They are fueling the economy for research. They are fueling the education and research and development programs in our universities.

I look at another time in history where there was a government attempt to control energy prices, when OPEC began to assert itself in 1973 and 1974. There was an attempt to control prices. What did we end up with? I remember when I was in high school.

Mr. CONAWAY. That is your Gas Policy Act in 1978 under Carter is what you ended up with.

Mr. DAVIS of Kentucky. There you go, what did we have? We had rationing; we had gas prices skyrocketing.

Mr. SHUSTER. We had lines.

Mr. DAVIS of Kentucky. The next aspect of this was the markets for investment to create jobs in the private sector began to drop. When I graduated from college, I was glad I enlisted in the Army because there were no manufacturing jobs left in western Pennsylvania when I was 17 years old.

The next thing that we saw was inflation at the highest rate it had been in anybody's memory. When I graduated from college, I think the prime rate was under 17 or 18 percent. It was impossible for a working family to afford a mortgage or to buy a house. It was driving the very people these Big Government tax solutions were designed to help, actually were hurting more than anything else, which concerns me with this vote 14 days into the new Congress. We are going to raise taxes on the fundamental bedrock economy that drives the entire economy, the energy that fuels it all, literally, and in 1,446 days every working family in this country, unless we stop that, will have a \$2,096 tax increase.

□ 2145

Mr. SHUSTER. Does the gentleman have closing remarks?

Mr. CONAWAY. Mr. Speaker, I appreciate the gentleman sponsoring this hour again tonight. We tend to spend a lot of time trying to scare each other into actions one way or another. I am as guilty as everybody else. It is almost as if whoever of us can scare us the most wins the argument.

The truth of the matter is, the policies in place now are helping the economy. We don't have this great economy because of the policy; we have this great economy because we have great men and women throughout the country willing to take risks and work hard, get up every morning to go to work and provide for their families and build this country. That is why it is there.

What these policies have done is make their job less difficult. It is not easy. It is hard to make money. In the real world, it is a very difficult prospect to make money. So low tax rates and a consistent tax policy that people can count on help pave the way for that. It makes it less difficult for the hard-working men and women of this country to do what is being done, and that is to grow this economy, and by growing the economy, the tax receipts into this government have increased double digits for the last 2 years, and in all likelihood we may have a double digit increase again this year for a record collection. So that is doing it the right way.

As this Congress begins to try to lead toward a different direction, toward a different policy that says bigger government, higher tax rates on these folks, it is my opinion that it will make it much more difficult for the entrepreneurs in this country to continue to do what they do.

They will continue to do it in the face of an insurmountable odds, that is just their nature, but by this 1,446 days away, if that does happen the way we think it will, then the tasks of growing this economy, continuing to provide greater opportunities for most Americans, will be much, much more difficult than currently today.

Mr. SHUSTER. Mr. Speaker, I thank both of you gentleman for joining me,

Mr. DAVIS and Mr. CONAWAY, for your thoughts tonight. You pointed out rightfully so that the government doesn't create jobs, the government doesn't create wealth, it is people out in America, working hard, day in and day out, saving their money, investing their money, sweating at a job, and it is just wrong for us here in Congress to take more of their money than we should.

I put up 1,446 days to remind the American people that they are going to receive a tax increase unless we act, and that is a little less than 4 years. I am so grateful that the gentleman from Texas is a CPA and got my numbers right, that it is not 20 days into this new Congress, it is only 14 days, and we are already starting to hear about the first tax increase that the American people will see coming out of this Congress.

Mr. CONAWAY. This is on top of the unfunded mandate on small businesses that the minimum wage increase that was done last week will be.

Mr. SHUSTER. Absolutely. Except for the Marianas Islands.

Mr. CONAWAY. American Samoa, which the average rate there is \$3.15 an hour. So apparently StarKist wants tuna that pack cheaply instead of good taste.

Mr. SHUSTER. I thank both of you gentleman for joining me tonight.

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REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 5, COLLEGE STUDENT RELIEF ACT OF 2007

Mr. CARDENAS (during the Special Order of Mr. SHUSTER), from the Committee on Rules, submitted a privileged report (Rept. No. 110-1) on the resolution (H. Res. 65) providing for consideration of the bill (H.R. 5) to amend the Higher Education Act of 1965 to reduce interest rates for student borrowers, which was referred to the House Calendar and ordered to be printed.

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REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 6, CLEAN ENERGY ACT OF 2007

Mr. CARDENAS (during the Special Order of Mr. SHUSTER), from the Committee on Rules, submitted a privileged report (Rept. No. 110-2) on the resolution (H. Res. 66) providing for consideration of the bill (H.R. 6) to reduce our Nation's dependency on foreign oil by investing in clean, renewable and alternative energy resources, promoting new emerging energy alternatives, developing greater efficiency, and creating a Strategic Energy Efficiency and Renewables Reserve to invest in alternative energy, and for other purposes, which was referred to the House Calendar and ordered to be printed.