

below trend over that period, putting downward pressure on inflation as slack in the economy increases."

And guess what? A recession would throw CBO's carefully calculated tax revenue assumptions out the window. Indeed, the CBO admits that recessions in 1981, 1990 and 2001, "resulted in significantly different budgetary outcomes than CBO had projected few months before the downturns started."

Of course, it's been the history of tax increases that they tend not to bring in as much revenue as originally predicted. President Rodham Clinton or President Obama or President Edwards would likely find the same budgetary disappointment—and then have to explain to an angry American public during the 2012 election season why their president decided to plunge the economy into a recession.

Mr. GRASSLEY. The Goldman Sachs study was clearly not written by cheerleaders for tax relief; indeed, the authors seemed to share the point of view of many in this Chamber that a cut in spending is not an option. The authors regard an eventual drop in consumption as a forgone conclusion of tax relief and equate it with the necessity to pay back what had been borrowed over the previous decade. At the very least, the study says: "The economy suffers a lot of short-term pain."

Congress needs to act to extend or make permanent tax relief enacted in 2001 and 2003 or we risk plunging the country into a frivolous recession. I say frivolous because the recession will be the result of vanity on the part of those who use balancing the budget as a cover for tax-and-spend politics.

More cause for concern of the impact of tax increases comes to us from China. I am sure everyone is aware that the Shanghai Composite Index lost 8.8 percent of its value this past Tuesday. According to various news reports, including a dispatch from the Associated Press, a factor in the drop may have been rumors that a capital gains tax on stock investment was in order.

I ask unanimous consent that an ABC NEWS article entitled "Shanghai Shares Rebound Nearly 4 percent" be printed in the RECORD.

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

SHANGHAI SHARES REBOUND NEARLY 4 PERCENT

(By Elaine Kurtenbach)

SHANGHAI, CHINA.—Chinese stocks recovered Wednesday following their worst plunge in a decade as regulators shifted into damage control, denying rumors of plans for a 20 percent capital gains tax on stock investments.

The Shanghai Composite Index gained 3.9 percent to 2,881.07 after opening 1.3 percent lower. On Tuesday, it tumbled 8.8 percent, its largest decline since Feb. 18, 1997.

Bullish comments in the state-controlled media appeared to reassure jittery domestic investors, who account for virtually all trading.

China will focus on ensuring financial stability and security, the official Xinhua News Agency cited Premier Wen Jiabao as saying in an essay due to be published in Thursday's issue of the Communist Party magazine Qiushi.

Markets across Asia were still rattled, with many falling for a second day. Japan's

benchmark Nikkei Index sank 2.85 percent, while stocks in the Philippines tumbled 7.9 percent. Malaysian shares fell 3.3 percent, while Hong Kong's market fell 2.5 percent.

On Tuesday, concerns about possible slowdowns in the Chinese and U.S. economies sparked Wall Street's worst drop since the Sept. 11, 2001, terror attacks. The Dow Jones industrial average lost 416 points, or 3.3 percent.

Analysts said they expected China's stock market to stabilize and keep climbing over time although further near-term declines were possible given concerns that prices may have risen too precipitously in recent months.

Tuesday's "sell-off does not reflect any fundamental change in the outlook for China's economy," Yiping Huang and other Citigroup economists said in a report released Wednesday. "A sharp contraction in excess liquidity that would reinforce damage in the stock market remains unlikely," it said.

China's big institutional investors are all state-controlled and would be unlikely to sell so heavily as to completely reverse gains that more than doubled share prices last year. With a key Communist Party congress due in the autumn, the authorities have a huge stake in keeping the markets on an even keel.

"They are acting now to nip a nascent bubble in the bud," says Stephen Green, senior economist at Standard Chartered Bank in Shanghai, adding that it's a challenge given generally bullish sentiment and the massive amount of funds available for investment.

"So they have to somehow calibrate the rhetoric and policy actions to keep a lid on this, while not triggering a collapse," Green says.

One option is a capital gains tax on stock investments. Rumors that such a tax may be enacted are thought to have been one factor behind Tuesday's sell-off.

But the Shanghai Securities News ran a front-page report denying those rumors. The newspaper, run by the official Xinhua News Agency and often used to convey official announcements, cited unnamed spokesmen for the Ministry of Finance and State Administration of Taxation.

China has refrained from imposing a tax on capital gains from stock investments, largely because until last year the markets were languishing near five-year lows. The Shanghai Securities News report cited officials saying that the government had little need to impose such a measure now, given that tax revenues soared by 22 percent last year.

The exact cause of Tuesday's decline in China was unclear, given the lack of any significant negative economic or corporate news.

Some analysts blamed profit taking following recent gains: the market had hit a fresh record high on Monday, with the Shanghai Composite Index closing above 3,000 for the first time.

Others pointed to comments by former Federal Reserve Chairman Alan Greenspan, who warned in remarks to a conference in Hong Kong that a recession in the U.S. was "possible" later this year.

Adding to those factors was a persisting expectation that China might impose further austerity measures, such as an interest rate hike, to cool torrid growth: China's economy grew 10.7 percent last year the fastest rise since 1995 and most forecasts put growth at between 9.5 percent and 10 percent this year.

China's markets took off after a successful round of shareholding reforms helped alleviate worries over a possible flood of state-held shares into the market. Efforts to clean up the brokerage industry and end market abuses also helped.

Their confidence renewed, millions of retail investors began shifting their bank savings into the markets in search of higher returns last year. Strong buying by state-controlled institutional investors and overseas funds also helped.

China still limits foreigners' purchases of the yuan-denominated stocks that make up the biggest share of the markets, though that is gradually changing as regulators allow increasing participation by so-called qualified foreign institutional investors.

Stocks have shown unusual volatility this year, with the Shanghai index notching one-day drops of 4.9 percent and 3.7 percent already this year before recovering to hit new records.

But there are limits to how far shares are allowed to drop in a single trading day: total single-day gains and losses are capped at 10 percent.

Mr. GRASSLEY. The same AP report notes that regulators have already denied those rumors and that the Shanghai Securities News ran a front page report to the same effect yesterday. Incidentally, the Shanghai Composite Index gained 3.9 percent yesterday.

I think the Chinese regulator's swift debunking of rumors that a capital gains tax was going to be enacted shows the negative impact such a tax could have on growing markets and expanding economies.

As I have said before, what is missing from the debate on extending tax cuts and clearly missing from the reasoning of the authors of the Goldman Sachs study is the option, and necessity, of reducing Government spending. The right thing to do is to let Americans keep as much of their own money as we can and not seize it from them to promote special interests, encourage high-priced lobbyists or give free rein to the big city press to tell everyone else what to do.

It is often said by the Democratic leadership that tax cuts are not free. That statement is true. Tax cuts score as revenue losses under our budget rules. What is equally true, if you listen to economists and, more importantly, the American taxpayer, is that tax increases are not free as well. Taxpayers have to write a check to Uncle Sam.

Tax increases change taxpayer behavior. Tax increases will affect work, investment, and other economic activities. From an economic policy standpoint, tax increases, especially those that are used to cover more Government spending, have a policy cost. Tax increases are not free to the taxpayers and are not free to a growing economy.

So I would ask that the Democrat leadership, as they draw up their budget resolution, to hopefully keep this in mind. Tax increases have consequences to the American taxpayer and consequences to the American economy.

U.S. SENTENCING COMMISSION NOMINATIONS

Mr. LEAHY. Mr. President, I thank the majority leader for his help in connection with the confirmation of members to the Sentencing Commission. I

am glad a cloture petition turned out not to be necessitated by anonymous Republican opposition and delay but regret that it has taken so long and so much attention to follow through on this matter.

Last night, the Senate finally considered and confirmed the President's nomination of Beryl Howell to a second term on the U.S. Sentencing Commission. We also proceeded with the confirmation of the nomination of Dabney Friedrich, a former staffer of Senator HATCH and associate White House counsel.

Last month, the President finally sent these nominations to the Senate to fill preexisting vacancies on the U.S. Sentencing Commission. Both these nominees were serving on the Commission, having been recessed appointed by the President in the last month of the 109th Congress. Regrettably the White House had delayed for many months making the nominations last year. Had the President sent the Senate these nominations in a timely fashion, their recess appointments would not have been necessary and we could have confirmed both of these nominees in the last Congress.

The nonpartisan nature of the Sentencing Commission is preserved by making sure its membership is balanced and includes experienced Commissioners who stick to the merits and command the respect of both Congress and the Judiciary. I look forward to the President nominating such a person on the recommendation of the ranking Republican member of the Judiciary Committee so that the final vacancy may be appropriately filled.

Commissioner Howell graduated from Bryn Mawr College and Columbia University School of Law, clerked for Judge Dickinson R. Debevoise on the U.S. District Court for the District of New Jersey. She served with distinction as a Federal prosecutor in the U.S. Attorney's Office in the Eastern District of New York, earning a number of commendations for her work. She later served for almost 10 years as a member of the Senate Judiciary staff. She earned the respect of Senate and House Republicans and Democrats. Besides now serving as a member of the Sentencing Commission, she is also managing director and general counsel of the Washington, DC, office of Stroz Friedberg, LLC, one of the leading cybersecurity and forensic firms in the country.

Commissioner Friedrich assumes her post having served in the White House counsel's office and having previously served on Senator HATCH's Senate Judiciary Committee staff. I believe her husband is a political deputy in the Criminal Division of the Department of Justice. I wish her well in her new position.

The Sentencing Commission has important work to do. Federal judges are still wrestling with the Booker decision, which made the Federal Sentencing Guidelines advisory, rather

than mandatory, and the Commission is once again preparing a report to Congress on the unjust disparity of crack versus powder cocaine sentencing.

I congratulate the nominees and their families on their confirmations last night.

LOCAL LAW ENFORCEMENT ENHANCEMENT ACT OF 2007

Mr. SMITH. Mr. President, I rise today to speak about the need for hate crimes legislation. Each Congress, Senator KENNEDY and I introduce hate crimes legislation that would add new categories to current hate crimes law, sending a signal that violence of any kind is unacceptable in our society. Likewise, each Congress I have come to the floor to highlight a separate hate crime that has occurred in our country.

On June 4, 2002, in Cortez, CO, 16-year-old Fred Martinez, described as a transsexual Navajo, was brutally beaten to death by Shaun Murphy. Murphy received a sentence of 40 years for his crime. According to affidavits filed in Montezuma County Court, Murphy bragged to friends in the days after Martinez's slaying that he had "beat up a fag."

I believe that the Government's first duty is to defend its citizens, to defend them against the harms that come out of hate. The Local Law Enforcement Enhancement Act is a symbol that can become substance. I believe that by passing this legislation and changing current law, we can change hearts and minds as well.

PEACE CORPS VOLUNTEERS

Mrs. BOXER. Mr. President, early one October morning in 1960, Senator John F. Kennedy stood on the steps of the University of Michigan Union and challenged a group of students to serve their country by living and working abroad. Today I rise to commemorate the service of 187,000 Americans, young and old, who have met that challenge.

From Armenia to Zambia, Peace Corps volunteers have lived and worked in 139 countries around the world for the past 46 years. They act as ambassadors of our goodwill and promote a world of peace and friendship. Historically, more Peace Corps volunteers have come from California than any other State indeed, 25,467 Peace Corps volunteers have hailed from my State. Today, I am proud to represent 768 Peace Corps volunteers currently working abroad.

In their work as teachers, business advisors, information technology consultants, agriculture and environmental specialists, and health educators; Peace Corps volunteers have not only met the needs of the individuals and communities who are their hosts, but also promoted a better understanding of Americans.

After almost five decades, the mission and goals of the Peace Corps are

as vital and relevant as they were the day of its establishment. In an age when fear, misunderstanding, and blind prejudice can breed aggression and hate, more than 20 percent of Peace Corps volunteers are working in predominantly Muslim countries.

In the past 10 years, the Peace Corps has expanded to meet new humanitarian challenges, sending Returned Peace Corps Volunteers to serve in the Crisis Corps. These extraordinary men and women have been deployed to tsunami-ravaged regions in Sri Lanka and Thailand, to Guatemala after Hurricane Stan, and 272 Returned Peace Corps Volunteers joined in disaster relief efforts along the gulf coast following Hurricane Katrina.

Finally, I would like to recognize the Returned Peace Corps Volunteers who have been participating in National Peace Corps Week. By sharing their experiences, these Returned Peace Corps Volunteers are fulfilling the third goal of the Peace Corps, to "strengthen Americans' understanding about the world and its peoples."

Mr. COLEMAN. Mr. President, it is with great pride that I extend my congratulations to the Peace Corps on the occasion of its 46th anniversary this week. I know that in doing so I join a countless number of past and present Peace Corps volunteers in commemorating the fruitful history of the organization.

Since the establishment of the Peace Corps over four decades ago, its volunteers have served as unofficial U.S. Ambassadors, representing the best of what America has to offer abroad. Their mission could not be more important than it is right now, during a time when our nation is so misunderstood in many parts of the world. With its global presence and tangible impact, the Peace Corps has worked to combat misperceptions about what America stands for and reaffirm American values. I have no doubt that these good deeds on behalf of others have made a tremendously positive impact on the communities in which our Peace Corps volunteers serve.

I am a strong believer in investing in cross-border relationships through programs such as the Peace Corps, which places American volunteers in the heart of communities throughout all corners of the world. Who knows how the interaction and good works completed by Peace Corps volunteers will change the world as a result? Perhaps the example set by a Peace Corps volunteer will correct a distorted perception, or prevent someone from sliding into hatred and extremism. Perhaps an American volunteer will acquire a new understanding of the needs in other parts of the world which will lead to a critical humanitarian intervention. The Peace Corps, through the impact on the community and the volunteer, is a win-win investment in stability.

The Peace Corps has a daily direct impact by meeting the needs of foreign