

The Economic Policy Institute estimates that 2.3 million jobs were lost between 2001 and 2007 due to the trade deficit with China. Those were during our good economic times. During that economic time, the first 7 years of the Bush administration, not only did we lose 2.3 million jobs—many of them because of Chinese trade policy—in addition to that, 40,000 manufacturing concerns in our country shut down. China's policies are depressing wages and income levels worldwide, while its exploitation of environmental, health, and safety standards is killing Chinese workers and citizens and adding to our climate change challenges. The health of our economy, the strength of our middle class, depend on how Congress and the Obama administration engage with China on these issues.

I am hopeful the Strategic and Economic Dialogue begins a new chapter between two great nations, China and the United States. But Congress cannot sit idly by as we debate climate change or trade or manufacturing or any other policies that affect the middle class.

I yield the floor.

The PRESIDING OFFICER. The Senator from Utah.

TAX INCREASES ON HIGHER INCOME AMERICANS

Mr. HATCH. Mr. President, I rise today to express my alarm about the possibility that this Congress will raise tax rates on higher income Americans in order to partially finance the cost of health care reform. Even though some of our colleagues on the other side of the aisle may not currently see the serious damage to our economy and our society that such a proposal could create, I want to spend a few minutes explaining why such a course of action would be a grave mistake.

We began hearing talk of raising taxes on the so-called wealthy last year during the presidential campaign. Then-candidate Obama made a number of promises regarding taxes. Perhaps most prominent among these were the following three pledges: He would cut taxes for small businesses and companies that create jobs in America; he would cut taxes for middle-class families, and no family making less than \$250,000 per year will see their taxes increase; and families making more than \$250,000 will pay either the same or lower tax rates than they paid in the 1990s.

I have been around this town for a long time, and I have seen a lot of presidential candidates make lots of promises. It is easy to greet such pledges with a degree of skepticism. However, I have seldom, if ever, seen promises regarding tax cuts and tax increases made more prominently, more clearly, or more often than those made by the President when he was on the campaign trail last year.

And yet, it was only a matter of a few weeks before the promise to keep tax rates below the 1990s level for high-

er income families was broken. In his budget outline for fiscal year 2010, which was released on February 26, 2009, the President included a proposal to partially pay for health care reform. This proposal would lower the value of itemized deductions for families with incomes over \$250,000.

When this proposal is combined with the President's promise to allow the 2001 tax cuts to expire for families making over \$250,000, we are looking at effective tax rates well above those paid by higher income families in the 1990s. Thus, the President broke his pledge within weeks of Inauguration Day.

While it is true that none of the health care reform proposals introduced so far in Congress includes the limitation on itemized deductions, this presidentially preferred offset proposal has been discussed in the Senate as a possible way to finance health care reform.

More importantly, the health care reform package that has been reported by two House committees and is working its way through a third includes an offset that is even more blatantly in violation of the President's pledge. This is a surtax on the adjusted gross income of single taxpayers earning more than \$280,000 and of families earning more than \$350,000.

This surtax starts at a rate of 1 percent at the lowest thresholds, but it is set at 5.4 percent for income in excess of \$1 million. This new surtax has been projected by the Joint Committee on Taxation to raise \$544 billion over 10 years. I know we are getting far too accustomed to seeing scores in the hundreds of billions of dollars, but let me say that number again: \$544 billion. That is over half a trillion, with a T. For those who might be watching or listening at home, that is 544 followed by nine zeroes.

Whether at the 1 percent level, at the 5.4 percent level, or somewhere in between, this surtax also starkly violates the President's pledge to not increase tax rates above their 1990s levels. In fact, when combined with the phase-out of itemized deductions, which the President has also proposed bringing back from the grave, this surtax could increase the top marginal income tax rate to more than 46 percent. When State taxes are added, the top rate in many States would likely exceed 50 percent.

Some may say that this surtax is not the President's idea, and that it therefore should not be blamed on him. Well, it may have not been his idea, but I have not seen the White House repudiate it in any way. All indications from 1600 Pennsylvania Avenue are that the President supports this huge new tax increase.

Do I bring this matter to the attention of my colleagues today merely because I am irritated to see the President violating one of his campaign promises? No. As I mentioned earlier, I have seen a lot of campaign promises

made and a lot of campaign promises broken.

Perhaps it is because I am worried about the estimated 12,900 Utah tax filers or the just over 2 million Americans who would be affected by this surtax. After all, some are saying, this is just over 1 percent of taxpayers, and after all, they are rich, and they can afford it, right?

Well, yes, I am concerned about them. A tax on adjusted gross income is unfair, and it is discriminatory. If we wish to raise tax rates we should do it in a straightforward and transparent way. A tax based on gross income provides for few or no deductions, and it jolts our long-established differential between ordinary income and income from capital. It is a raw revenue grab justified on the socialistic idea that these people earn more than the rest of us so they should be forced to share it with those less fortunate than they are.

But this also is not my primary reason for bringing up this matter today.

I bring this to the attention of the Senate for two reasons. First, high tax rates on upper-income earners, particularly when combined with the ever-increasing progressiveness of our tax system, are destructive to the economy and to our society.

Second, a good share of these higher income taxes will be paid by small businesses which will harm job creation. Today I want to talk about the problems of too much tax progressivity. In a subsequent floor speech, I will address the issue of how this tax will hurt small businesses and job creation.

We often hear from those on the left that our tax system is not progressive enough. Essentially, proponents of a more progressive tax system believe that the Internal Revenue Code taxes lower income taxpayers too much and higher income taxpayers too lightly. In essence, they believe the so-called wealthy among us are not paying their fair share of taxes.

However, the facts simply do not support this viewpoint. According to data released by the IRS for 2006, which is the latest year available, the highest-earning one percent of income earners received 22 percent of all the income in America. This sounds like a great deal of income concentrated into the hands of a few, and it is.

One would think and hope that an equitable tax system would require this top one percent of income earners, who are earning 22 percent of all income, to pay at least 22 percent of all the income taxes. If they paid exactly this amount, ours would be considered a proportional tax system. If they paid less, we would call it a regressive tax system. If the top earners paid more than the proportion that they earned, the tax system would be considered progressive.

I do not know anyone who truly believes that a completely regressive tax system is fair. No one should be asked

to bear a higher portion of the tax burden than what he or she receives in income. However, I know that certain taxes are regressive, even if our overall system is not.

In contrast, many Americans think the only fair tax system is a progressive one. The more you make, the more you ought to pay. I can understand this and I do not necessarily disagree with it, within reason.

On the other hand, I believe that a strong case can be made that a proportional tax system is the fairest tax system. Many of my fellow Utahns agree with this idea. I have received thousands of letters over the years asking why we should not have a flat tax that requires citizens to pay a fixed proportion of their income in taxes. Conceptually, I think they are correct.

Even though many Americans like a progressive tax system, I think they might be shocked to see just how progressive ours has become. I mentioned before that the top one percent of income earners received 22 percent of all income in 2006. However, this group paid 40 percent of all income taxes paid in America. Almost twice the proportion paid as earned. This is not just progressivity. This is progressivity on steroids. And it is harmful and unfair.

And, we are not just looking at the top one percent to see this problem. The top 10 percent of income earners received 47 percent of all income, but they paid 71 percent of all tax. Again, this is way beyond what I believe fair-minded people would call a reasonable amount of progressivity.

However, this is not the worst of it. In fact, this is only half of what I will call the equitable taxation equation. This is because so far, we have only talked about the half of the equation that raises money from taxpayers. What about the other half of the equation, where the money is spent?

In a 2007 study, economists at the Tax Foundation looked at both the tax side of the equation and the spending side. Their findings are very interesting. Using total Federal taxes rather than just income taxes, the study found that the top 20 percent of income earning households paid on average \$57,512 in Federal taxes.

However, the average Federal Government spending received by these households was just \$18,573.

The lowest 20 percent of income-earning households, on the other hand, paid an average of just \$1,684 in Federal taxes, but received an amazing \$24,860 average per household in Federal Government spending.

Another way of saying this is that the top earning 20 percent of households received 32 cents in Federal Government spending for every dollar in Federal taxes paid, while the lowest earning 20 percent of households received \$14.76 in Federal Government spending for every dollar they paid in Federal taxes.

Plain an simple, this means the top-earning fifth of Americans get back

only a third of what they pay in taxes while the bottom-earning fifth are receiving a bounty of nearly 15 times what they pay. This is redistributionism gone wild.

And this study takes into account all Federal taxes, not just income taxes. If the study included only the Federal income tax, the amounts would be skewed even farther because the income tax is much more progressive than are other Federal taxes.

Moreover, this study used tax-and-spending numbers from 2004. Our tax system has become more progressive since then. It is very apparent to me that our tax system is very progressive already. And when it is viewed in this larger context, along with the Federal spending, it is nothing short of ultra progressive.

So the question I have for my friends and colleagues on the other side of the aisle is this: just how progressive is progressive enough? I realize that some will not be satisfied until we reach a total redistribution where there is no more rich or poor among us. And while that idea might sound really fine, it would create total havoc to our government and our society, and I think we all know it.

How far can we take this idea of progressivity before the system collapses of its own weight? Our tax system, and indeed our entire system of government, depends on the voluntary cooperation of its citizens. An underlying if unstated foundation of the American government is the idea that the great majority of us will work hard, take care of our families, willingly if grudgingly pay our taxes, cooperate with the law, and do our best to make it all work.

What happens to our society if those who are in the top 25 percent, who are now paying 86 percent of the general cost of government, see that their burden is about to grow ever bigger, and that they soon may be part of only 10 or 15 percent who are carrying all the rest of us?

Where does incentive go as we approach this situation? Is there a tipping point where hard-working and successful Americans will say: Enough is enough. I am no longer willing to be a chump and carry the load for everyone else. Why don't I also stop pulling and get in the wagon and get the free ride?

We have already seen a strong movement toward removing more and more lower-earning Americans from the income tax rolls. The Making Work Pay credit and other refundable tax credits give cash back where no taxes have been paid. They serve as a negative income tax.

According to the Tax Policy Center, for calendar year 2009, the number of Americans who are not subject to the Federal income tax exceeds 43 percent. This number will likely grow significantly as a result of the enactment of the Making Work Pay credit earlier this year. If the President and his fol-

lowers in the Congress have their way, there will be millions more who will be allowed to stop pulling and get on the wagon to be carried by the few who work.

This means that the number of American households that contribute nothing to our general cost of government, to our defense, and to the thousands of programs that are funded by the income tax is approaching 50 percent. Asking fewer and fewer to carry more and more of the load is dangerous in a free society. We are approaching that point where the majority can simply vote for higher taxes to fund higher spending with no personal cost to them. When that happens, our representative Republic is in grave danger.

There are lots of good economic reasons why we have to be careful about raising taxes too high on those who are bearing the burden of the cost of government. I will talk about those at another time. The one I am talking about today is a simple one, but it is the scariest to me.

The simple fact is that there is a limit on how much we can ask successful people to contribute to the cost of general government, just as there is a limit to how few people will be willing to pull a wagon that gets heavier each time we let someone leave the ropes and climb on board for the free ride.

Ideally, we should all have to carry our own weight. While this may not be possible or practical, we surely cannot expect a willing but diminishing minority to continue to pull a heavier and heavier wagon up a steeper and steeper hill without a breakdown. I urge my colleagues to think carefully before going along with an idea that loads more of a tax burden on the few who seem to be able to afford it. If we go too far down this path, we are all going to end up in a ditch.

Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mrs. SHAHEEN). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. WHITEHOUSE. 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. WHITEHOUSE. Madam President, I ask unanimous consent to speak as in morning business for up to 15 minutes.

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

HEALTH CARE REFORM

Mr. WHITEHOUSE. Madam President, over the last several months I had the exceptional honor of serving as a temporary member of our HELP Committee—Health, Education, Labor, and Pensions—where I joined a truly remarkable group of Senators as we wrote and fought through and refined and ultimately passed our part of legislation that will begin to fundamentally