

than Floyd. His efforts sum it up very well.

Last week, Missoula County set up a flood hotline to help people face the rising floodwaters. Before long, the hotline received dozens of calls from volunteers wanting to help. Missoula's former rural fire chief, Curt Belts, stepped up to help. This is Curt. He has a smile on his face right now. He didn't have a smile on his face when he was helping out with the flood.

Curt worked with the United Way to organize over 60 volunteers daily. He made sure sandbags were placed at key locations around Missoula. He worked very hard—14-hour days—to minimize damage from flooding in Missoula. If we ask any volunteer around Missoula, they will tell you it was Curt who made all the difference, even down to the finest details such as sunscreen and bug spray for volunteers. Runoff is expected to swell again in Missoula. Thanks to Curt, they are much more ready.

In Lewistown, John Bebee's home was safe and dry, but his neighbors near the river were in danger. For the last 3 weeks, John has been sandbagging homes in Lewistown that are most in danger. No one needed to ask him for help. No one went to John and said: John, can you help out? He just knew what was needed. He knew on his own, and he headed out to provide that help.

In the Upper Missouri River Breaks in north central Montana, there are a lot of cottonwood trees. The cottonwood trees need floods to regenerate. Floods along the Missouri clear away rich, bare soil for new cottonwoods to take root. Hydrologists with the U.S. Bureau of Land Management in Lewistown said this year's floods could help establish a new generation of cottonwoods. The aging stands had been in danger of disappearing altogether.

So like the cottonwood, Montana will return from these floods stronger than ever. That is because of hundreds of unsung heroes stepping up to help. I am asking Montanans to share their stories of ordinary folks doing extraordinary things for their friends and neighbors. Whether on Facebook or by calling my office, we want to hear those inspiring stories.

In closing, I wish to share a humble thank-you. Thank you to all of Montana's heroes. I do not know what we would do without you. Thank you for your service. You are wonderful. You are aces. We all deeply appreciate all you are doing.

I yield the floor and suggest the absence of a quorum.

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

The legislative clerk proceeded to call the roll.

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

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

## DEBT CEILING

Mr. KYL. Mr. President, as you know, there is a great deal of discussion going on right now in different forums on whether to increase our debt limit and, as a part of that, how we can reduce this government's spending practices so that we won't have to keep extending the debt ceiling in the future. Those conversations include a lot of focus on reducing spending in the near term and finding ways to reform some of the entitlement programs so that spending will also be reduced over the long term because I think everyone agrees that the current way we spend money—40 cents of every dollar has to be borrowed—is literally going to result in bankruptcy if we don't bring it under control.

There are those who say: Well, actually, the answer to the problem is to increase revenues—meaning raise taxes. The problem with that is we didn't get into this problem because we didn't tax enough; we got into this problem because we have been spending too much.

The simplest way to think about it is that historically we spend about 20 percent of the gross domestic product. Under the Obama budgets, we are going to be spending—and we almost spend this much now—25 percent of the gross domestic product, and that is a spending increase that is not sustainable.

Even under the largest of deficits, when President Bush was President, it was less than  $\frac{1}{2}$  trillion. But under the Obama budget, it is \$1.5 trillion almost exactly for every year for the last 3 years and on into the future. The result is that under this President we will have doubled all of the debt this country has accumulated from the time George Washington was President all the way through the time George Bush was President. We will double that under the Obama administration.

The problem is spending; it is not taxes. Evidence of that was presented last Thursday in an op-ed piece in the Wall Street Journal. At the conclusion of my remarks, I am going to ask unanimous consent to have the article printed in the RECORD because I think it makes the point. I will quote from it or at least discuss some of the arguments in this piece right now.

It was put together by a Cato Institute senior fellow Alan Reynolds, who has written on this subject in the past and is a real student of the effect of tax rates on economic growth and on revenues for the country. One of the points he discusses in this op-ed is what happens when you raise tax rates, as some of our friends—particularly on the other side of the aisle—want to do as part of this deficit reduction exercise. Do you necessarily increase revenues if you raise tax rates? What are the impacts on the economy? What happens, on the other hand, if you are able to reduce tax rates?

Now, there is no plan on the table to actually reduce tax rates, but I think the arguments he presents make it

clear that lower rates do not necessarily produce less revenue and, in fact, can have a salutary impact on economic growth and therefore job creation, which is, of course, what we are trying to be all about here.

He has studied tax rates for the last six decades, and here is some of the factual information he comes out with. The conclusion is this: Higher tax rates do not necessarily lead to more revenue. In fact, recent history has often shown the opposite. Here are some specific examples.

Back when the highest tax rate in this country was 91 percent—if you can just think about that, a 91-percent tax rate. Why would anyone work to make that last \$1 when 91 cents of the \$1 you earn goes to Uncle Sam? That was the highest tax rate. The lowest tax rate was 20 percent. Today, the lowest tax rate is zero and the next one is 10 percent and then 15 percent and so on. So this was a much more progressive Tax Code. Individual income tax revenues during that time were 7.7 percent of the gross domestic product.

President Kennedy came along and proposed cutting both the highest and the lowest rates. So they went from 91 down to 70 and from 20 down to 14 percent. What happened to the 7.7-percent revenues? They rose to 8 percent of gross domestic product. So the rates were reduced, but the revenue to the Treasury was increased.

What happened a few years later when that was done, when President Reagan first cut the top rate from 70 percent down to 50 percent? Did revenues fall? No. Revenues to the government increased to 8.3 percent of the gross domestic product.

Third example, 1986, when the top rate was slashed again from 50 percent down to 28 percent, almost in half. You would think revenues would decline. No. They remained almost exactly the same, from 8.3 to 8.1 percent.

So his research clearly demonstrates that the link between lower rates and lower revenues is very weak, if not actually a converse relationship. The relationship between higher taxes and economic difficulty could not be more clear.

Let's talk about what happens when you have increases in the tax rates. In the early 1990s, the top rate was increased to 31 percent—which, by the way, is more comparable to about 35 percent in today's dollars because of hidden taxes—the country fell into a recession and revenues actually dropped to just 7.8 percent of GDP. So you think you are going to raise more revenue and reduce the deficit by raising tax rates? Wrong. We raised taxes, revenues actually dropped, and the country went into a recession.

When the top two tax rates were raised later to 36 and 39.6 percent and taxes on Social Security increased as a part of the Clinton tax hikes, revenues again barely moved to 8 percent—so from 7.8 to 8 percent. The government actually collected more tax revenue when the top rate was just 28 percent.

It is simply not true that you can raise tax rates and therefore get more revenue to the Treasury and therefore reduce the debt and the deficit. It is especially not true if you are only talking about doing that for the very highest tax earners because they don't make enough to produce the kind of revenue that would be required to reduce the deficit that much.

To be sure, there are always fluctuations, and there is not a very specific causal relationship in all cases between rates and revenues collected. For example, during the technology bubble of the 1990s, revenues rose above 9 percent. We were on a roll. People made more money. The government made more money as a result. But, interestingly enough, this was only after capital gains taxes were cut from 28 percent down to 20. There is almost an inverse relationship between the capital gains tax rate and revenues collected. As that rate goes up, less revenue is collected. As the rate comes down, more revenue is collected because it is a tax on economic activity. The lower the tax, the more economic activity you have and therefore the more the Federal Government receives in revenues, even though the rate is lower.

Reynolds found a similar correlation between rates and revenues with capital gains as he identified with ordinary income taxes.

Just a couple of other statistics. When the capital gains rate was 28 percent, revenues were 2.5 percent of the GDP. After the rate was cut down to 20 percent, capital gains revenues rose to 4.6 percent of GDP. So when you cut the tax rate, then the revenues almost doubled.

As I said, capital gains are the most sensitive to rate reductions or rate increases of all our tax rates. Nonetheless, it is an impressive figure to demonstrate that at least you don't want to be raising tax rates even if you are not willing to reduce them.

In summary, after both ordinary income and capital gains tax rates were cut to 35 and 15 percent respectively in 2003, individual income tax revenues were 8.1 percent of GDP, which was higher than the period when the ordinary income tax rate was 39.6 and the capital gains rate was 28 percent. So almost no matter how you look at it, you can see this relationship, and it is almost an inverse relationship.

Again, I am not claiming that all tax cuts pay for themselves or that in all cases this is exactly the way it works out. But to assume we can solve part of our problem by raising tax rates and especially raising them on the people who are most able to move income around to avoid paying taxes or minimize their tax rates and who are the most susceptible to the capital gains rates and who are the people most able to invest in business and therefore help to create jobs—to suggest that increasing their tax rates is a good idea is obviously not true based upon the research Mr. Reynolds has done.

The bottom line, lower tax rates do not necessarily mean less revenue, higher rates do not always mean more revenue, and the facts frequently point to the opposite.

There is obviously more to consider than just how much revenue will be raised. Unfortunately, higher tax rates also have a very pernicious effect on economic growth and job creation, and Reynolds' research in this area is very clear as well. When surtaxes were imposed in our economy back in 1969 and 1970, our economy fell into one of the deepest recessions we have had until the one we are in right now.

During the bracket creep of the 1980 to 1981 period, when inflation forced taxpayers to pay higher rates, until that was fixed later, the economy again fell into a recession, and following the rate increases of 1990, the economy fell into a recession. So it is pretty clear higher taxes are the last thing you need to do or want to do during a time of persistently high unemployment and a struggling economy, as we have today. Yet, as I said, there are some Members of Congress and the administration who have proposed raising tax rates as a way to address the deficit.

I even read that an academic proposed a 70-percent rate. One witness before the Senate Finance Committee, believe it or not, even suggested that a tax rate of 90 percent would maximize revenue.

To show you how counterintuitive that is, let me just ask the question. What two tax rates produce zero revenue? Well, the answer is zero, of course, and 100 percent. If you are going to tax 100 percent of what somebody makes, he is not going to bother to make the money. It doesn't do him any good, and it doesn't do him much good if he only gets to save a dime out of a dollar that he makes if the government takes 90 percent. So it is not true that sticking the rich with a very high tax rate is going to bring in more revenue to the government. Those people don't have to make the money. They can shift it around so they can minimize their tax burden. Eventually, what that does is put an even greater burden on middle-income Americans who aren't that wealthy, who can't move their money around, who have to take it and spend it to support their families, send their kids to school or for health costs or whatever it might be. That is why you cannot solve this problem by raising taxes. You have to focus on the side where all the growth has been, which is increased spending.

At the end of the day, the American people believe wasteful Washington spending has to stop. That is why they are saying to many of us, don't raise the debt ceiling, at least until you have made sure we are not going to have to keep doing this in the future because spending keeps going up. Let's have a downpayment on significant savings now. Let's set the budget numbers for the next 10 years so they actually rep-

resent a reduction in spending, not an increase. Let's have entitlement reform that shows that, even after that 10 years, the expenses will continue to, if not fall, at least rise less quickly so our economic growth can manage any increase in costs. Let's do that in such a way that we absolutely put constraints on Congress and the President. We put ourselves in a straitjacket, so to speak, so we can't create exceptions and waivers and get around it in other ways.

Unless we do those things, I don't think most of the people on my side of the aisle are going to have an appetite for increasing the debt ceiling. I know I am not. I am going to look at the historical evidence that people such as Alan Reynolds point out to us, the evidence that clearly shows that higher tax rates do not necessarily translate into higher revenues; in fact, in many of the cases, it is precisely the opposite. It is why, beyond the obvious economic costs, it is foolish to propose higher rates as a solution to our fiscal crisis.

Mr. President, I ask unanimous consent to have printed in the RECORD the Wall Street Journal op-ed I mentioned.

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

[From the Wall Street Journal, June 16, 2011]

#### WHY 70% TAX RATES WON'T WORK

(By Alan Reynolds)

The intelligentsia of the Democratic Party is growing increasingly enthusiastic about raising the highest federal income tax rates to 70% or more. Former Labor Secretary Robert Reich took the lead in February, proposing on his blog "a 70 percent marginal tax rate on the rich." After all, he noted, "between the late 1940s and 1980 America's highest marginal rate averaged above 70 percent. Under Republican President Dwight Eisenhower it was 91 percent. Not until the 1980s did Ronald Reagan slash it to 28 percent."

That helped set the stage for Rep. Jan Schakowsky (D., Ill.) and nine other House members to introduce the Fairness in Taxation Act in March. That bill would add five tax brackets between 45% and 49% on incomes above \$1 million and tax capital gains and dividends at those same high rates. The academic left of the Democratic Party finds this much too timid, and would rather see income tax rates on the "rich" at Mr. Reich's suggested levels—or higher.

This new fascination with tax rates of 70% or more is ostensibly intended to raise gobs of new revenue, so federal spending could supposedly remain well above 24% of gross domestic product (GDP) rather than be scaled back toward the 19% average of 1997–2007.

All this nostalgia about the good old days of 70% tax rates makes it sound as though only the highest incomes would face higher tax rates. In reality, there were a dozen tax rates between 48% and 70% during the 1970s. Moreover—and this is what Mr. Reich and his friends always fail to mention—the individual income tax actually brought in less revenue when the highest tax rate was 70% to 91% than it did when the highest tax rate was 28%.

When the highest tax rate ranged from 91% to 92% (1951–63), even the lowest rate was quite high—20% or 22%. As the nearby chart shows, however, those super-high tax rates

at all income levels brought in revenue of only 7.7% of GDP, according to U.S. budget historical data.

President John F. Kennedy's across-the-board tax cuts reduced the lowest and highest tax rates to 14% and 70% respectively after 1964, yet revenues (after excluding the 5%–10% surtaxes of 1969–70) rose to 8% of GDP. President Reagan's across-the-board tax cuts further reduced the lowest and highest tax rates to 11% and 50%, yet revenues rose again to 8.3% of GDP. The 1986 tax reform slashed the top tax rate to 28%, yet revenues dipped trivially to 8.1% of GDP.

What about those increases in top tax rates in 1990 and 1993? The top statutory rate was raised to 31% in 1991, but it was really closer to 35% because exemptions and deductions were phased-out as incomes increased. The economy quickly slipped into recession—as it did during the surtaxes of 1969–70 and the “bracket creep” of 1980–81, which pushed many middle-income families into higher tax brackets. Revenues fell to 7.8% of GDP.

The 1993 law added two higher tax brackets and, importantly, raised the taxable portion of Social Security benefits to 85% from 50%. At just 8% of GDP, however, individual income tax receipts were surprisingly low during President Bill Clinton's first term.

The Internet/telecom boom of 1998–2000 was the only time individual income tax revenues remained higher than 9% of GDP for more than one year without the economy slipping into recession (as it did when the tax topped 9% in 1969, 1981 and 2001).

But that was an unrepeatable windfall resulting from the quintupling of Nasdaq stocks—combined with (1) the proliferation of nonqualified stock options that have since been thwarted by the Financial Accounting Standards Board, and (2) the 1997 cut in the capital gains tax to 20%. Realized capital gains rose to 4.6% of GDP from 1997 to 2002—up from 2.5% of GDP from 1987 to 1996 when the capital gains tax was 28%.

Suppose the Congress let all of the Bush tax cuts expire in 2013, which is the current trajectory. That would bring us back to the tax regime of 1993–96 when the individual income tax brought in no more revenue (8% of GDP) than it did in 2006–08 (8.1% of GDP).

It is true that President Obama proposes raising the capital gains tax to 23.8%, which could raise more revenue than the 28% rate of 1993–96. But a 23.8% tax on capital gains and dividends would nevertheless be high enough to depress stock prices and related tax revenues.

Still, pundits cling to the myth that lower tax rates mean lower revenues. “You do probably get a modest boost to GDP from tax cuts,” concedes the Atlantic's Megan McCardle. “But you also get falling tax revenue. It can't be said too often—and there you are, I've said it again.”

Yet the chart nearby clearly shows that reductions in U.S. marginal tax rates did not cause “falling tax revenue.” It is not necessary to argue that tax rate reduction paid for itself by increasing economic growth. Lowering top marginal tax rates in stages from 91% to 28% paid for itself regardless of what happened to GDP.

It is particularly remarkable that individual tax revenues did not fall as a percentage of GDP because changes in tax law, most notably those of 1986 and 2003, greatly expanded refundable tax credits, personal exemptions and standard deductions. As a result, the Joint Committee on Taxation recently reported that 51% of Americans no longer pay federal income tax.

Since the era of 70% tax rates, the U.S. income tax system has become far more “progressive.” Congressional Budget Office estimates show that from 1979 to 2007 average in-

come tax rates fell by 110% to minus 0.4% from 4.1% for the second-poorest quintile of taxpayers. Average tax rates fell by 56% for the middle quintile and 39% for the fourth, but only 8% at the top. Despite these massive tax cuts for the bottom 80%, overall federal revenues were the same 18.5% share of GDP in 2007 as they were in 1979 and individual tax revenues were nearly the same—8.7% of GDP in 1979 versus 8.4% in 2007.

In short, reductions in top tax rates under Presidents Kennedy and Reagan, and reductions in capital gains tax rates under Presidents Clinton and George W. Bush, not only “paid for themselves” but also provided enough extra revenue to finance negative income taxes for the bottom 40% and record-low income taxes at middle incomes.

Mr. KYL. I note the absence of a quorum.

The PRESIDING OFFICER (Mr. COONS). The clerk will call the roll.

Mr. DURBIN. I ask that the order for the quorum call be rescinded.

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

Mr. DURBIN. Mr. President, I ask unanimous consent to speak as in morning business.

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

#### DREAM ACT

Mr. DURBIN. Mr. President, it was about 10 years ago that I received a call to my office in Chicago from a Korean-American mother who was concerned about her daughter. Her daughter had been brought to the United States at the age of 2, had grown up in the United States, all her brothers and sisters were born here as well, and her daughter had been accepted on a music scholarship. Turns out she was an extraordinarily talented concert pianist. She was graduating from high school and had been accepted at Juilliard School of Music and Manhattan Observatory School of Music, and in filling out the application, there was a question about her daughter's citizenship. Since she brought her daughter here on a visitor's visa at the age of 2 and never filed any papers, she wanted to know her daughter's status.

It turns out her daughter's status was very clear. She was undocumented, and the law was also very clear; that this 18-year-old girl who had lived here for 16 years was told she had to leave America. There was no recourse. She was not even being sent back to Korea because her family transited from Korea to Brazil to the United States. They wanted to ship her to Brazil, a country she was not even aware of with a language she did not speak, Portuguese. In that situation, her mother said: What can we do? I checked with the law, and it turned out there was no place to turn. Her daughter was without a country. That is when I introduced the DREAM Act.

The DREAM Act is legislation which says if you came to the United States as a child, if you have been a long-term resident of the United States, you have good moral character, and you graduate from high school, we will give you

two chances to become legal in America. You can either enlist in our military or you can finish at least 2 years of college. That was 10 years ago. I am still working to pass that legislation. Over the period of time I have worked on it, I have met hundreds, maybe more, of people like that young girl I just described. They are young people who have that kind of excited look in their eyes, they want to be part of this world. Most of them are college students or college graduates, but they cannot make the first move toward the life they want to live because they are undocumented.

That is why I continue to come to the floor of the Senate each week and tell their stories, urging my colleagues, on both sides of the aisle, in the name of justice, to give these kids a chance. We have a pretty basic principle in America. We do not hold kids responsible for the wrongdoing of their parents. We tell kids you are responsible for your own life. Do the right thing. Go to school. Don't get in trouble, study, aspire to greatness. Go to college, and they do. These kids do too. But they have an obstacle most children in America do not have. They have no country.

Senator MENENDEZ of New Jersey, my friend and colleague, had a great statement on the floor, and I have used it many times. I credited the Senator the first time, but I will credit him again because he is here. He tells of these young people getting up every day and putting their hands to their heart and pledging allegiance to the United States of America, going to events where they sing along with the only National Anthem they know, and in the eyes of the law, in the eyes of America, they are not part of us. They are somewhere in the middle.

Is that right? Is it fair? Is it a standard we want to establish in this country when it comes to justice? I don't think so. We need these young people. They are not only bright and energetic, they can become tomorrow's leaders in our military. That is why Secretary Robert Gates, who is retiring this month as Department of Defense Secretary, supports this legislation. That is why so many others have stepped up in both political parties and said this is a smart thing to do, give these young people a chance to prove themselves.

I just had a discussion in my office about H-1B visas. These are visas we offer to foreigners, people who were not born in the United States, to come here and work because we need their talent pool to be part of an expanding American economy. What about the talent pool of these DREAM Act students? As I have told their stories on the floor, these are students who are extraordinary: chemical engineers, mechanical engineers, teachers, aspiring attorneys, but they cannot do any of those things because they have no citizenship status in America.

I wish to share the story of two of them and I know Senator MENENDEZ is