Bill Hoagland was on this floor working with us, and he is a fine man, a close adviser to Senator Domenici and other Republican Senators. I worked with him on the floor trying to get bills passed. He is a fine man—a Republican first, wanting to get things done for our country second. Bill Hoagland was a Republican budget adviser for a quarter century. He described it best when he labeled this legislation a ''misleading political cheap shot.''

A balanced budget is something we can all get behind. But this legislation isn't about balancing the budget; it is about scoring political points. Based on 30 years of evidence and the Republicans' own measuring stick, the stunt falls flat.

After all, who do you think helped President Clinton balance the budget during the only 2 years of the last 30 that actually lived up to the restrictive rules outlined in this legislation? It was Democrats in Congress.

Today, Democrats are trying to rein in spending again and are trying to avert a catastrophic default on our Nation's financial obligations. Republicans are the ones standing in the way of a deal to avert default, refusing to move an inch, despite our offers to cut trillions from the deficit.

It is not just me. Read today's Washington Post and see again what David Brooks says. David Brooks is a card-carrying Republican conservative. Read what he says. As the conservative columnist Ross Douthat wrote in the New York Times yesterday, we can already be on the way to a deal if ''more Republicans had only recognized that sometimes a well-chosen concession can be the better part of valor.''

We are arriving at a point, 2 weeks from today, when we will default on the debt. I have not heard a Republican leader—and I have my friend on the floor today from our sister State of Arizona. He always has said there will not be a default on the debt. Senator MCCONNELL, Speaker BOEHNER, and Majority Leader CANTOR have all said that.

The proof is in the pudding. We have 2 weeks to prove they are right.

Would the Chair announce morning business.

RESERVATION OF LEADER TIME

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

MORNING BUSINESS

The ACTING PRESIDENT pro tempore. The Senate will be in a period of morning business for 2 hours, with Senators permitted to speak therein for up to 10 minutes each, with the time equally divided and controlled between the two leaders or their designees, with the majority and the Republicans controlling alternating 30-minute blocks, with the Republicans controlling the first block.

The Senator from Arizona is recognized.

TAX INCREASES

Mr. KYL. Madam President, first, let me reassure my friend and colleague, the leader of the Senate, that it is our view that the debt ceiling will be extended, and Leader MCCONNELL wanted to make that crystal clear in his discussions with Leader REID, so the two of them could work together on a plan that the Senate could pass and send over to the House, to ensure that our debt ceiling would be increased and, thus, assure the markets they need not be concerned about that fact. As I have said many times, Republicans are not going to be the ones who would throw us into default.

Yesterday, I spoke on the floor about the reason Republicans are opposed to raising taxes. The President himself, last December, said raising taxes in a time of economic downturn would be a mistake, the wrong thing to do. We are still in that economic downturn. In fact, things are worse now than they were then. It is similar to a doctor treating a patient. When we diagnose what is wrong, we deal with what is wrong. We don't try to fix something else. Our problem is spending; it is not taxes. That is why we need to focus on spending rather than taxes. At the conclusion of my remarks, I will ask unanimous consent to put an op-ed from the Wall Street Journal into the RECORD. It is written by Michael Boskin, who makes the point very clearly that our problem is spending, not taxes, and that we should be focused on reducing spending growth, especially in entitlements. He is a professor of economics at Stanford University and senior fellow at the Hoover Institution and he chaired the Council of Economic Advisers for the first President Bush. I will refer to that in a moment.

Yesterday, I said there were three reasons why Republicans were not willing to raise taxes at this time. The first was that the problem, as I said, is spending, not taxes. Spending has increased under President Obama from 20 percent of GDP—the historic average—to 25 percent in just 3 years. That has been the reason we have had a deficit of $1.5 trillion each of those years, and we will see deficits in that order of magnitude for as far as the eye can see.

The second reason not to raise taxes is that when we talk about whom the taxes actually apply to, it turns out they don't just apply to millionaires and billionaires. I pointed out that there were 319,000 households that reported over $1 million in income tax. Again, that is 319,000. But the tax the President is talking about would apply to 3.6 million taxpayers—more than 10 times that many. So the point is, frequently, Democrats like to aim at the rich—the so-called millionaires and billionaires—and they end up hitting a whole lot of other folks who aren't in that category of millionaire and billionaire. It has happened before with the alternative minimum tax, which was originally to apply to 125 people, I think, and now it hits between 20 million and 30 million households. That is the second reason.

I might add, by the way, my friend, the majority leader, said a moment ago there is nothing wrong with taxing yachts or airplanes and that he would, in fact, rather have an airplane than a yacht. I remember the experience we had with that. We were going to hit the millionaires. In 1990, we raised the tax on yachts and other luxury items. All the people who made boats in Maine, Massachusetts, and other States lost their jobs. I think it was something over 9,000 jobs that were lost in the boat building industry. Congress quickly repealed that. Within 3 years, we had to repeal that big luxury tax. We weren't hitting millionaires and billionaires; we were hitting the people who actually made the yachts.

Right after 9/11, Congress passed an accelerated depreciation provision for the general aviation industry. The idea there was to make sure 9/11 didn't hit that industry too hard and jobs would be saved. In the President's stimulus bill, that accelerated depreciation provision for business jets was reauthorized. That is the thing we are talking about here, when we talk about business jets.

The President has said business jets should not receive that kind of tax treatment. The people who he said would be benefited by the stimulus package with jobs created or saved are the people who will lose their jobs if that particular tax treatment is taken away.

Maybe we should look at that. I am not against looking at that tax treatment. If we should look at it and decide it is not appropriate, maybe people will lose their jobs, but we may want to get rid of it; we should use whatever reduction there is in that to create lower rates for corporations across the board, as the President indicated, because then we can be more competitive with corporations abroad that have much lower corporate tax rates than the United States.

That gets me to the third reason we should not raise tax rates: because it will kill jobs, hurt the economy. If we want to put people back to work, we cannot impose more regulatory or tax burdens on the very businesses that create the jobs. Two-thirds of the jobs coming out of a recession are created by small businesses. Fifty percent of the income of the small businesses is reported in these top two income tax brackets that would be affected by the President's proposal to raise taxes. They would be hit by this and, as a result, they would not hire as many people.

There are a couple items from today's paper that I will use to illustrate the point. From the Phoenix Business Journal, it says: ''U.S. small businesses out of gas on job creation.'' They point out:

Small-business owners continue to be pessimistic about the economy. . . . New jobs are not to be found on Main Street . . . Economic uncertainty was cited as the biggest obstacle to hiring. . . .

One of America's more colorful entrepreneurs, Steve Wynn, in Nevada, who is one of the majority leader's constituents, a self-described Democrat, says that ''this administration is the greatest wet blanket to business and progress and job creation in my lifetime.'' He says in his report to his company shareholders on the company's quarterly conference call that ''my customers and the companies that provide the vitality for the hospitality and restaurant industry in the United States of America, they are frightened of this administration, and it makes you slow down and not invest your money.'' He goes on.

I have talked to Mr. Wynn. He is very concerned about the regulatory and tax burdens being imposed upon not just his industry but across the board. That is what is inhibiting economic growth.

One of the taxes proposed by the administration was evaluated by this administration's Small Business Administration, the Office of Advocacy of the SBA. They said:

It could ultimately force many small businesses to close.

Why would the administration propose a tax increase on, in this case, retailers and manufacturers, primarily, that could ultimately force small businesses to close, according to the administration's own SBA? It doesn't make sense.

For all three reasons, we should not be raising taxes. The President was right last December, and the reason is because spending is the problem, not taxes; that we end up aiming at the millionaires and billionaires, but we hit a broader swathe of our economy; and, third, because it would kill job creation and inhibit economic growth to enable us to get out of this recession.

The final point I would make here relates to that. It is the Wall Street Journal op-ed of July 18 by Michael Boskin.

Madam President, I ask unanimous consent to have printed in the RECORD this op-ed piece at the conclusion of my remarks.

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

(See exhibit 1.)

Mr. KYL. The point he makes here—and I will quote a couple of points—is regarding the President's demand that we raise taxes, and he says, ''His timing couldn't be worse.'' Let me quote from this.

Two problems arise when marginal tax rates are raised. First, as college students learn in Econ 101, higher marginal rates cause real economic harm. The combined marginal rate from all taxes is a vital metric, since it heavily influences incentives in the economy—workers and employers, savers and investors base decisions on after-tax returns. Thus tax rates need to be kept as low as possible, on the broadest possible base, consistent with financing necessary government spending.

The second point he makes is that as tax rates rise, the tax base shrinks, and ultimately you have a much smaller group of people paying at those very highest levels. He goes on to point out some examples of somebody in the upper brackets in the State of California, which is a high-tax State. When you add in the California taxes, the payroll taxes to fund ObamaCare, ultimately the President's idea of uncapping Social Security payroll taxes, the combined marginal rates would rise to a stunning 58.4 percent. Then, if you added in the requirements to pay for the additional costs of the excess spending the administration has proposed, the taxes could drive the combined marginal rate to more than 70 percent by 2035 and 80 percent by 2050. I mean, there is a point at which people will stop working for that next marginal dollar because most of it goes to Uncle Sam.

He also takes the example of a teacher in California earning $60,000, and when you add in all those other things, the marginal rate goes to an astounding 71 percent. He says:

At the margin, virtually everyone would be working primarily for the government, reduced to a minority partner in their own labor.

I will quote one of his conclusions and then conclude.

Higher tax rates are the major reason why European per-capita income, according to the Organization for Economic Cooperation and Development, is about 30 percent lower than in the United States.

The point is that imposing more taxes on the economy not only inhibits job creation, but it reduces productivity because Americans stop working that extra hour or that extra day since most of what they earn is going to be given to Uncle Sam. That is part of the problem and one of the reasons the European standard of living is 30 percent lower than here in the United States. Do we want to get to where Europe is? I think the answer is no.

So we have to deal with extending the debt ceiling. We should try to reduce spending so that we don't have this future cloud hanging over our head and, frankly, to prevent having to come back to increasing the debt limit every few months or years. But the way to do that is not by raising taxes, which will not raise the revenues—it will inhibit economic growth—but, rather, by focusing on the real problem, which is spending, which has increased from 20 to 25 percent of GDP in just 3 years, and getting spending under control.

I mentioned yesterday, for example, that the President had taken a lot of things off the table. My friend the majority leader said a moment ago that the President has decided he is willing to compromise about reducing spending. I don't think he is. I have been sitting in on those negotiations. I haven't seen that.

We proposed three things—just three things—that wouldn't touch beneficiaries: Medicare, Medicaid, and uninsured benefits going to people who aren't supposed to get them, or overpayments. You can save over $100 billion a year by simply not paying people what the law says they shouldn't receive, just stopping the overpayments, or paying people who aren't eligible for one of those three services. You are not touching anybody who is currently eligible for Medicare, Medicaid, or uninsured benefits. You are not touching them. They receive their full benefits. But let's simply watch out for taxpayer dollars.

The problem is, it is like renting a car. Has anybody here ever washed a rental car? When you rent a car and you go home, is washing it the first thing you do? If it gets a little dirty, do you wash it before you turn it back in? No. This is someone else's money, and people aren't watching it. It is taxpayer money that is now administered by the Federal Government through Medicare, Medicaid, and unemployed insurance, and the reality is that people aren't trying to stop the waste, fraud, and abuse.

All that is taken off the table. No, the administration says, we don't want to talk about that because we don't want people who receive those benefits to have to sacrifice. Well, the people who are receiving the benefits aren't sacrificing. The taxpayers are the ones who are sacrificing by contributing money to the government that is then wasting.

There is plenty of reform out there to stop wasteful Washington spending. If the administration would be willing to do those things, then I think we could find enough savings so that we wouldn't have to even be talking about tax increases, which for the three reasons I mentioned are so harmful to our society, to our families, to our businesses, and to our economy.

So I hope we will continue this debate on the so-called cut, cap, and balance legislation that does require cutting spending, constraining it over time, and ensuring that over the long term—over the next 5, 10, 15, 20 years—these savings don't all evaporate because we go back to our big spending ways. At least a balanced budget amendment would prevent us from doing that. So I fully support the legislation that will be brought forward. I presume it will pass the House of Representatives this evening, and I am looking forward to the debate here in the Senate so that we can try to adopt that same legislation.

EXHIBIT 1

[From the Wall Street Journal, July 18, 2011]

GET READY FOR A 70% MARGINAL TAX RATE

(By Michael J. Boskin)

President Obama has been using the debt-ceiling debate and bipartisan calls for deficit reduction to demand higher taxes. With unemployment stuck at 9.2% and a vigorous economic ''recovery'' appearing more and more elusive, his timing couldn't be worse.

Two problems arise when marginal tax rates are raised. First, as college students learn in Econ 101, higher marginal rates cause real economic harm. The combined marginal rate from all taxes is a vital metric, since it heavily influences incentives in the economy—workers and employers, savers and investors base decisions on after-tax returns. Thus tax rates need to be kept as low as possible, on the broadest possible base, consistent with financing necessary government spending.

Second, as tax rates rise, the tax base shrinks and ultimately, as Art Laffer has long argued, tax rates can become so prohibitive that raising them further reduces revenue—not to mention damaging the economy. That is where U.S. tax rates are headed if we do not control spending soon.

The current top federal rate of 35% is scheduled to rise to 39.6% in 2013 (plus one-to-two points from the phaseout of itemized deductions for singles making above $200,000 and couples earning above $250,000). The payroll tax is 12.4% for Social Security (capped at $106,000), and 2.9% for Medicare (no income cap). While the payroll tax is theoretically split between employers and employees, the employers' share is ultimately shifted to workers in the form of lower wages.

But there are also state income taxes that need to be kept in mind. They contribute to the burden. The top state personal rate in California, for example, is now about 10.5%. Thus the marginal tax rate paid on wages combining all these taxes is 44.1%. (This is a net figure because state income taxes paid are deducted from federal income.)

So, for a family in high-cost California taxed at the top federal rate, the expiration of the Bush tax cuts in 2013, the 0.9% increase in payroll taxes to fund ObamaCare, and the president's proposal to eventually uncap Social Security payroll taxes would lift its combined marginal tax rate to a stunning 58.4%.

But wait, things get worse. As Milton Friedman taught decades ago, the true burden on taxpayers today is government spending; government borrowing requires future interest payments out of future taxes. To cover the Congressional Budget Office projection of Mr. Obama's $841 billion deficit in 2016 requires a 31.7% increase in all income tax rates (and that's assuming the Social Security income cap is removed). This raises the top rate to 52.2% and brings the total combined marginal tax rate to 68.8%. Government, in short, would take over two-thirds of any incremental earning.

Many Democrats demand no changes to Social Security and Medicare spending. But these programs are projected to run ever-growing deficits totaling tens of trillions of dollars in coming decades, primarily from rising real benefits per beneficiary. To cover these projected deficits would require continually higher income and payroll taxes for Social Security and Medicare on all taxpayers that would drive the combined marginal tax rate on labor income to more than 70% by 2035 and 80% by 2050. And that's before accounting for the Laffer effect, likely future interest costs, state deficits and the rising ratio of voters receiving government payments to those paying income taxes.

It would be a huge mistake to imagine that the cumulative, cascading burden of many tax rates on the same income will leave the middle class untouched. Take a teacher in California earning $60,000. A current federal rate of 25%, a 9.5% California rate, and 15.3% payroll tax yield a combined income tax rate of 45%. The income tax increases to cover the CBO's projected federal deficit in 2016 raises that to 52%. Covering future Social Security and Medicare deficits brings the combined marginal tax rate on that middle-income taxpayer to an astounding 71%. That teacher working a summer job would keep just 29% of her wages. At the margin, virtually everyone would be working primarily for the government, reduced to a minority partner in their own labor.

Nobody—rich, middle-income or poor—can afford to have the economy so burdened. Higher tax rates are the major reason why European per-capita income, according to the Organization for Economic Cooperation and Development, is about 30% lower than in the United States—a permanent difference many times the temporary decline in the recent recession and anemic recovery.

Some argue the U.S. economy can easily bear higher pre-Reagan tax rates. They point to the 1930s–1950s, when top marginal rates were between 79% and 94% or the Carter-era 1970s, when the top rate was about 70%. But those rates applied to a much smaller fraction of taxpayers and kicked in at much higher income levels relative to today.

There were also greater opportunities for sheltering income from the income tax. The lower marginal tax rates in the 1980s led to the best quarter-century of economic performance in American history. Large increases in tax rates are a recipe for economic stagnation, socioeconomic ossification, and the loss of American global competitiveness and leadership.

There is only one solution to this growth-destroying, confiscatory tax-rate future: Control spending growth, especially of entitlements. Meaningful tax reform—not with higher rates as Mr. Obama proposes, but with lower rates on a broader base of economic activity and people—can be an especially effective complement to spending control. But without increased spending discipline, even the best tax reforms are doomed to be undone.

Mr. KYL. Madam President, I 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.

Mrs. MURRAY. Madam 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.

MILCON APPROPRIATIONS

Mrs. MURRAY. Madam President, there is no question that we need to make smart decisions to tighten our belts and reduce our Nation's debt and deficit. American families have done it around their kitchen table, and we owe it to them to get our fiscal house in order.

But there is also one group of Americans we owe an even greater promise to, a group we can never allow to become pawns or fall through the cracks, or be forgotten altogether in these budgets debates, and that is our men and women in uniform and the veterans who have protected our Nation for decades. That is why I am here today on the floor, in the midst of the whirlwind of debt and deficit rhetoric, to remind us all of the critical nature of the bill that is on the floor this week; to remind us all that no matter what fiscal crisis we face, no matter how divided we may be over approaches to cutting our debt and deficit, no matter how heated the rhetoric gets here in Washington, DC, we have to keep our commitments to our veterans and servicemembers, and we have to move this bill forward and we have to provide for those who wore or who are wearing the uniform with the peace of mind that we are keeping our promise to them.

A couple of years ago we took a proactive step to make sure the non-stop wrangling over appropriations bills here in Congress didn't interfere with the health care our veterans have earned. Thanks to the work of Senator AKAKA and many others, the VA spending for health care is now appropriated a year in advance, protecting it from an imperfect budget process that is so often affected by politics.

But I remember when we passed advanced appropriations, we were very clear. Our foresight was not going to be an excuse to sit on our hands when VA funding was up for consideration. We were not going to allow a precautionary measure to get in the way of passing timely increases in veterans' health care, and so this bill is the test.

Can we put politics aside for the good of our Nation's veterans and servicemembers? Can we show them that, despite our differences, we will work as diligently toward getting them the benefits and care they have earned as they have worked for our Nation? Well, I hope we can.

I say that because the investments in this bill are a lot more than numbers on a page. They are life-changing programs for veterans with post-traumatic stress disorder and traumatic brain injury. It is support for suicide hotlines that are seeing more callers than ever before. It is providing roofs over the heads of our servicemembers and their families. It is timely investments in the very biggest priorities of our Nation's heroes.

Today I want to talk about a few of the investments that are included in the bill we are considering today and how they translate into the lives of our servicemembers, our veterans and, critically, their families.

There is an influx of young veterans coming into the VA system right now that we have not seen in a very long time. In fact, the VA estimates that the number of Iraq and Afghanistan veterans in its health care system will reach well over ½ million at some point next year. That is an over 100-percent increase since 2008. This is a big challenge and one we have no choice but to step up to meet if we are going to avoid some of the same mistakes we saw with the Vietnam generation.

That is why this bill includes nearly $3 billion to meet the health care needs of veterans who served in Iraq and Afghanistan, which is a nearly $600 million increase over last year.

But it is more than just the sheer number of new veterans that will be coming home to the VA in the near future. It is the extent of their wounds,