the tune of $40 billion a year in surplus to Communist China.

Mr. Speaker, we live in a very dangerous world. The last thing that I think it is important for my colleagues to know is that while we are short on Marines, we are short on Army, we are short on Air Force, we are short on Navy in terms of force structure, we are also short on ammunition. The Army has certified to myself and to the gentleman from Missouri [Mr. SKELTON], who is the minority ranking member on the Subcommittee on Procurement, that they are $1.6 billion short of what it takes in ammo to fight those two wars that we talked about. The Marine Corps has said in their letter that they are $300 million short in ammo. They are 93 million M–16 bullets short of what it takes to fight those two wars we talked about. The point is we have entered a trough, a time of weakness, it is a historic cycle, a cycle down in this case for America in terms of defense spending. We need to boost it back up. I guess what I would ask all of my colleagues is to stick with us, stick with the few extra dollars that we put into this defense budget to give some modicum of support to the men and women who serve in our Armed Forces.

Mr. Speaker, I think it is clear that our motto with respect to national security should be, ''Be prepared.'' We are not prepared now if the intent of other nations around the world changes dramatically and suddenly. We owe it to the American people not to be ready to build a strong defense but to be ready with a strong defense already built in case we should have a war.

THE REPUBLICAN TAX CUT PLAN AND THE BUDGET BILL

The SPEAKER pro tempore (Mr. COBLE]. Under the Speaker's announced policy of January 7, 1997, the gentleman from New Jersey [Mr. PALLONE] is recognized for 60 minutes as the designee of the minority leader.

Mr. PALLONE. Mr. Speaker, I wanted to spend some time today, and know I have some of my colleagues, including the gentlewoman from Connecticut [Ms. DELAURO], who has been really outspoken on this issue of why the Republican tax cuts which are part of the balanced budget package really are not fair to working families in this country. Of course the Democrats have come up with an alternative primarily targeting the tax cuts to working families. Really for those of us who voted for the balanced budget resolution and who have supported that plan over the last couple of weeks, it has been very disappointing to see the Republican leadership, particularly on the Committee on Ways and Means, come up with a tax bill that essentially does not do the right thing for America's working families. Because we believe, those of us who supported the balanced budget resolution, that in achieving a balanced budget, we have to do what is fair. We have to make sure that whatever tax cuts are implemented, primarily are targeted to help America's working families.

I am really concerned that the Republican leadership is doing just the opposite. Their tax bill would essentially phase out the alternative minimum tax for corporations which will cost taxpayers $22 billion over the next 10 years. This is a tax on corporations that was passed in 1986 to stop many large, wealthy corporations from getting away with paying no taxes at all which is what we are going to go back to if the Republican leadership plan, their tax cut plan, goes through.

□ 1500

And while doling out this corporate welfare essentially, the Republican leadership has also decided to deny tax breaks for working families and also deny, and I want to stress deny, the minimum wage and basic worker protections for men and women they said had to get off welfare and go to work.

I do not know how this got into the bill, but in addition to the problems with the Republican tax cuts not helping working families, they have also put a provision in the reconciliation bill as part of their budget plan that would say that for those who are on workfare, those coming off of welfare as a result of the welfare reform, that they do not get minimum wage, and I think that is totally wrong. The whole idea of the welfare reform was to encourage people to work, to bring these people who are on welfare up to the standards, if you will, of the rest of the working population, and if you simply deny them minimum wage in the context of this overall plan, I think what you are doing is basically saying they are second-class citizens, and making them create competition between those who are already working, who are getting the minimum wage, to essentially bring down their wages as well.

So, Mr. Speaker, the Republican priorities I think are clear, and they are actually very bad for working people because the tax cuts are not for working people; the minimum wage, the lack of a minimum wage for people coming off welfare, does not encourage them to work, and the tax breaks again go for the wealthiest and most powerful corporations and individuals rather than for the working families of America.

We are going to be talking a lot more about this, but at this point, if she likes, I would yield to the gentlewoman from Connecticut [Ms. DELAURO].

Ms. DELAURO. Mr. Speaker, I thank my colleague from New Jersey, and am glad to join with him this afternoon just to say that I look forward to all the opportunities that we have in the next several weeks to talk about the tax cut plan, because I think you stated it absolutely correctly.

There are two tax cut plans. The Republican majority has a tax cut plan, and the Democrats have a tax cut plan. This is not a question of one or the other parties having a plan; we both concur like we did on a balanced budget agreement that in fact we ought to be able to provide tax relief, and the tax cut plan is a good opportunity for the public to take a look at who is on their side and who is on the side of working middle-class families in this country.

That is what the discussion is about because, again, there are two tax cut proposals that are on the table.

Just a footnote to what you were saying about the minimum wage, which is really quite extraordinary in that we pride ourselves in this country on rewarding people to work. We also passed a welfare reform bill in order to get people from welfare to work. That was the purpose of the legislation, and I think everyone concurs with that.

Now to say that if you are going to work, you cannot earn the minimum wage; that is astounding and outrageous, quite frankly, when you think about trying to reward people not for something they are not doing, which was the cry in the welfare situation and why we reformed welfare, but to get people from welfare to work, let us pay people the minimum wage, an honest day's pay for an honest day's work. I mean that is what we are all about in this country.

Let me go back to the tax proposal because, as my colleague from New Jersey has pointed out, the Republican tax proposal flat out, plain and simple hurts middle-class families. My colleagues from the other side of the aisle, they are going to stand in the well of this House, and they are going to talk otherwise. Let me just give you two or three facts about the Republican proposal and then two or three facts about the Democratic proposal.

One, the Republican bill hurts working women by slashing the child tax credit for 6 million families. The Republican bill hurts seniors by providing only $600 million for low-income seniors to pay for rising Medicare premiums. What is necessary, and these are low-income seniors who are assisted with paying their Medicare premiums, what is required in the bipartisan balanced budget agreement. Now understand, people must understand that in a bipartisan way we said we were going to have a balanced budget agreement, and we agreed in that bill, with lots of weeks of turmoil and tribulation and going back and forth, to come to a balanced budget agreement. Within there it is said that we need $1.5 billion in order to help seniors, low-income seniors.

This is nothing new. This was agreed to. The Republican majority has reneged on that agreement with regard to seniors.

The Republican bill hurts working families by denying the minimum wage to those struggling to make the transition from welfare to work.

The Republican bill hurts students. It provides, their bill provides, $15 billion; I repeat, $15 billion less for the

education initiatives that were once again agreed to in a bipartisan way by the President and by the House and the Senate. This was agreed to. Students are hurt by providing $15 billion less in financial assistance to assist working families in getting their kids to school.

Take a look at their proposal, and you take a look at who is being helped by the congressional majority's proposal: big business and the wealthy. There are two or three examples, and my colleague from New Jersey already mentioned one of them. The bill helps big business, the biggest, largest, most prosperous corporations in the country. By scaling back something called the alternative minimum tax, it scales back their tax obligation by $22 million. This tax was supposed to ensure that large corporations pay at least some income tax, but now the Republicans want to scale it back, and then they want to phase it out completely for some businesses.

I might add here that this was tried in the last session of the Congress as a part of the Contract With America, the repeal of the alternative minimum tax, causing such an outcry in the country that they shelved it for a while. They now brought it back. Again a week ago there was an outcry, but what they did was they called for the repeal. There were people who said this is outrageous. Even some of the members of the Republican conference said that it was outrageous. How can we go to the floor of the House, one Member said, and defend the largest corporations in the country not paying a single dime in taxes when working families are paying taxes?

So what they did was that they retreated somewhat from that, so what they are doing is they are giving them a gift, but they just scaled back somewhat on the gift that they are giving them. This is really outrageous. These are the most prosperous corporations in the country. In 1986 we said let us just put in a floor so that you will be paying taxes like everyone else, and now they want to begin to phase it out. At the same time they are telling parents, men and women who are in the workplace, that they are going to cut in half their opportunity to take a dependent child care tax credit. They are going to cut that back in half for working families today and provide the biggest corporations in this country with a windfall profit.

The Republican bill helps the rich by providing tax breaks for the wealthiest of Americans. Over half of the tax benefits from this bill go to the top 5 percent of Americans, those making more than $250,000 a year.

These are simply the facts. These can be looked at, and people do not have to take my word or your word or anyone else's word. They can take the documents, they can look at the commentary on the documents, and they will find that these are the simple facts about the Republican tax proposal.

Let me make an additional comment in response to my colleague on the other side of the aisle [Mr. KINGSTON]. This morning he referred to the families who receive the earned income tax credit as being, quote, on welfare, and I have a high regard for my colleague from Georgia [Mr. KINGSTON]. I just want to remind him that earned income tax credit means that people are earning an income before they are allowed any kind of tax credit. Earned income; this is a tax credit for working people.

My colleague from Texas [Mr. ARCHER] also said the other day that millions of working families call the earned income tax credit the EITC welfare program. The earned income tax credit is not welfare. It is a tax break for low-income families who work. Once again, it is a tax break for low-income families who are working. These folks are working hard, they are playing by the rules, only to be criticized as receiving welfare simply because they do not happen to make a lot of money; they are not the richest corporations in this country.

My colleagues' comments speak volumes about whose side they are on in this budget debate. The Republicans are not on the side of average Americans if they consider tax relief for working families' welfare. This is clear by their willingness to give huge tax breaks to the wealthy and to big business at the expense of average working families.

I just want to make one other point, and I will yield back to my colleague, because I said that there is a Democratic tax cut proposal that is on the table. It has been designed very, very carefully in order to provide working middle-class families with tax cuts and tax breaks. The Democratic tax bill provides the majority of its tax benefits to families making less than $100,000 a year. The tax bill, the tax cut package, includes $37 billion for tax credits to help students to pay for college, truly making it a reality in this country that we will have not just 12 years of universal education, but 14 years of universal education, and this is through a HOPE scholarship program.

The Democratic tax bill provides relief to small businesses through capital gains that is targeted specifically to small businesses, to family-owned businesses, homeowners, to farmers, in the form of targeted capital gains and estate tax cuts. The homeowners' capital gains tax cut is in the Democratic alternative.

Finally, what the Democratic bill does not do, it does not balloon the deficit in the later years. So after the first 5 years you will not see the deficit, which we have worked so hard to decrease, balloon out of sight once again, thereby defeating everything that we did since the 1993 budget that only Democrats supported in this body, which allowed for interest rates to come down and provided us with the opportunity today in order to have a balanced budget agreement and to be able to have a tax cut program.

The Democratic bill does not balloon the deficit. In fact, the Democratic bill is the only proposal on the table that in fact is a balanced budget which phases balance into the next century.

In this budget debate it is clear that what we have got to determine and the public has got to determine is who is on whose side. Republicans are on the side of big business and the wealthy, and it is the Democrats that can say to the average working middle-class American family that we are on your side. And quite honestly, that is where we ought to be. We ought to be with people who are trying desperately to pay their bills, scrambling every week to get those bills paid, to get their kids to school. They are worried about the cost of health care, and they are worried about their pension and their retirement security.

That is where our obligation is, and I am proud to say that that is, in fact, where the Democratic tax cut proposal is.

I thank my colleague for calling this special order today, and I am happy to participate with him.

Mr. PALLONE. I just want to thank the gentlewoman from Connecticut.

Again what the gentlewoman is saying and what all the Democrats are saying here is that in the context of this balanced budget resolution what we want to do is augment the middle class. The middle class, the working class, is really what defines America. It is why this country is so much greater and has been so much more successful than other countries, because we have this huge middle class. And so what we are saying is that with the limited resources that we have available pursuant to this balanced budget resolution we want to make sure that those tax cuts go to increase the middle class and to make the middle class and the working class a larger and larger group.

Now I think that the gentlewoman in particular by focusing on the struggling working people, you know those who are at the lower end we are trying to get off welfare, those are the ones in particular that we have to try to help. You know, that is the whole idea of the welfare reform, to get people off welfare. But they are only going to get off welfare and have an incentive to get off welfare if on the one hand they are paid a decent wage. I would maintain that a minimum wage is not even a decent wage, but at least it is a beginning, and that they have a place where they can provide child care for their kids while they work, and everything that is being done by the Republicans that addresses these struggling working-class people is essentially to their detriment. We have this earned income tax credit which has been a major incentive to get people off welfare and stay off welfare.

□ 1515

To the extent that people are penalized because they are getting that, it is

detrimental to the goal of getting more people into the middle class. To the extent that they are penalized because they are poor and they are trying to take advantage of a child tax credit and they cannot juxtapose that with the earned income tax credit, again, it is a disincentive for them to work and for them to get off welfare.

So I think that the gentlewoman is right on board there when she is talking about these things. Of course the biggest aspect is the minimum wage. If one says that people who are getting off welfare are not going to get the minimum wage, if we take that away, and we take away the advantages of a child tax credit and create disincentives for the earned income tax credit, we are basically making it more difficult for those struggling working class people, the very opposite of what we should be trying to do with this legislation.

At this point I would like to yield to the gentleman from Texas [Mr. GREEN].

Mr. GREEN. Mr. Speaker, I thank my colleague from New Jersey for this special order to talk about the tax cut bill. My colleague, the gentleman from New Jersey [Mr. PALLONE], and I serve on the Committee on Commerce, and last week we spent many hours in markup and voting on the Medicare portion and Medicaid and children's health care portion of the budget agreement.

My concern today is the medical savings account and the cost that it will have. A little brief history maybe. Last year under the Kassebaum-Kennedy bill, where we had portability and dealt with MSA, as a pilot program for medical savings accounts, MSA's were allowed for half a million people. MSA's, medical savings accounts, are allowed today even without that. If I wanted to go out right now and set up a high deductible health care plan, I could go buy it.

What the bill last year did is say OK, we are going to take 500,000 people and we are going to give them a tax deductibility, like an IRA, for their medical savings account. Now, the majority Republicans in the House want to do this for Medicare. But again, let me go back and do some comparisons between medical savings accounts and standard insurance.

Medical savings accounts, again, one could do it without any authorization from Congress, but the tax deductibility is the thing that makes it attractive, whereas last year the average wage-earner in our districts across the country that may pay $200 or $300 a month for their insurance, for their children's insurance, for example, they do not receive any deductibility for that. So if one has $5,000 to put away, we are giving a deduction. But if one has to pay for one's insurance, $200 or $300 or $400 at a time, one does not get that deduction. So all I think we ought to have is fairness.

It was wrong last year, but it is even more wrong with Medicare, because under Medicare it is actually costing us $2 billion of tax money to do a pilot program for half a million senior citizens who are on Medicare. Again, it is not like those seniors have $5,000 put away. It is the Government that is going to give them their money for their medical savings accounts, so that is why it is going to cost us for a pilot program $2 billion.

It is not those seniors' money, it is everybody's money to do it. Medical savings accounts were sold to us as a way that we could control our own health care. And maybe it works, but the only reason it will work is that, if we give a tax deductibility for people who are non-Medicare, and on Medicare, we are actually paying them to do that.

The way it works, the 500,000 pilot program under MSA's for Medicare is that Federal tax dollars will pay for $5,000, and they will buy that down, for whatever they do to go to the doctor. What they have left in a certain year, then they get to take that. There is very little control, as we heard in committee last week, that if I was 66 years old and wanted to do a medical savings account, I would apply and be accepted into the pilot program, I guess. And if I only used $1,000, then I could apply for the remainder of that. If I wanted to buy a boat with it, if I wanted to do whatever I wanted to with it, there are no restrictions in this bill.

The problem most of us have is that the average Medicare recipient today costs, on the average, both the people who need a lot of help from Medicare and the people who are healthy Medicare recipients, is about $1,600. So it is a bad deal for the taxpayers to pay $5,000 to somebody who may only be on the average using $1,600 during the year. That $2 billion is part of this balanced budget agreement, that is what bothers me.

Now, there are lots of things I may disagree with, and some of them I may support in the proposal we are going to consider. But the MSA's is a tax cost, and it is tax dollars that are being used to experiment that we can experiment and do options for a lot cheaper than $2 billion. We ran with amendments in committee, and I think my colleague and I both voted for a smaller pilot program, one that costs a lot less. We lost on basically a party line vote. That is the frustration.

Mr. Speaker, we all want choice in our health care, whether one is a Medicare recipient or whether one is just someone else out here buying on the open market for health care. We want choice. But the choice should be our choice, but the choice also should be our assets or our costs that one is dealing with.

Now, if we want to give a tax deductibility for people on health care, then I hope to, and maybe that ought to be one of the tax reform measures. Let us give a tax cut to people who are having to buy insurance. The gentleman and I know that there are great examples of employers all over the country because of the cost of health care for their employers, maybe at one time they gave both dependent care and their employees; but because of the high cost of insurance, they have cut back and they say well, we will pay for their employee's coverage, but their employee has to pay for this dependent care.

Why do we not give a tax deduction in this bill for that dependent care? We would see more children insured, more dependents insured, spouses who are at home who may not be eligible for health care through an employer; but that is not considered. We are going to spend $2 billion of tax dollars for an experiment on Medicare on MSA's, medical savings accounts, and it just does not make budget sense.

That is the frustration. It is not GENE GREEN or Democrats in Congress saying that it is costing $2 billion. The Congressional Budget Office estimates that these medical savings accounts would cost $2 billion over the 5-year budget period.

Only in Washington, and we heard this last week in our committee, only in Washington could a $2 billion cost say that is cost containment. To me, we ought to be able to save money on that and not spend $2 billion.

MSA's, or medical savings accounts, in a sense are a voucher for seniors' health care, and it is more expensive for the Government because not every senior uses that $5,000. Again, my seniors in Houston, just like my colleague's in New Jersey, are smart enough to know to say: Well, wait a minute, I am healthy, I do not need to go to the doctor every day or every month, I will apply to that, and if I do not use that $5,000, that is money in my pocket. So that is tax money, though. I want them to have the money in their pocket but not when we are having to take away from other programs to have to do it.

A good example of taking away: One part of the budget agreement that I thought was good that we again failed on in the committee process was to have a program on the Medigap, or the supplemental insurance for senior citizens. So often, Medicare costs them $43, $45 a month, Medicare part B. That will go up under the program, although it will go up a small amount every year. The high cost to seniors today, though, is what their supplemental insurance is costing them. So there are a lot of seniors who are poor seniors who do not have the money to pay $200 a month for their supplemental policy.

That is the problem in part of the budget agreement, was to save those seniors who are poor that would be paid their supplemental insurance, would be paid through Medicaid. But we lost again on that amendment last week that would say well, wait a minute. The budget agreement said that these costs are going to go up.

Let us take care of poor seniors who cannot afford the supplemental plan. What do we have? We lost on that. So

we have a lot of seniors who are going to, may see a substantial increase in their costs and cannot afford it. That is why a lot of us on both sides of the aisle, I know I do as a Democrat, want to see a balanced budget. But what is coming out of our committees, whether it be our Committee on Commerce, whether it be out of the Committee on Ways and Means, the Committee on Agriculture or Committee on Education and the Workforce, is something that I cannot support because the devil is in the details.

We support a balanced budget. But when we see the details that are coming out of some of our committees, that is when we are going to say wait a minute, that is not the agreement that was made 3 weeks ago or a month ago, that is not the criteria, that is not the framework that we talked about. When we are not taking care of seniors, who cannot afford the supplements, when we are experimenting with $2 billion of tax dollars for medical savings accounts, that is $2 billion.

I hear all the time from our conservative talk show folks that say, it is not your money to spend. This $2 billion is not my money, it is not our money, it is tax dollars that we should not be experimenting with, tax dollars for medical savings accounts. It is not a good program. And I would hope that, although we will not have a vote on the floor on that amendment, I would hope the conference committee and the Senate would look at this and say that $2 billion can be used for other purposes, or maybe send it back to the folks for more tax reduction, or maybe help balance the budget sooner than 2002, which also brings up a concern.

I worry about the tax agreement or the budget agreement, $85 billion in tax cuts that we have. We have lost our goal, to balance the budget. And I worry that we are going down that same road that happened in the early 1980's where the last major tax cut was 1981, and yet we saw the budget deficit balloon during the 1980's because of a lack of budget discipline. I hope that we are not making that mistake here in this Congress.

So I want to thank my colleague from New Jersey for having this special order but also for allowing me to participate in it today.

Mr. PALLONE. Mr. Speaker, I appreciate the statements that the gentleman from Texas made, and if I could just elaborate on these MSA's and what is happening with Medicare with the MSA's. I find it incredible.

The gentleman, of course, listened to the earlier debate that we had where we were discussing the fact that as part of that balanced budget resolution, we wanted to make sure that scarce resources, in this case the tax cuts, went to working class people, working families in this country, and not to corporations or the wealthy.

Well, here again, we are seeing the same thing on the other side. That was the tax cut side. This is of course the entitlement or the spending side, if you will, to some extent, and here we are seeing the same thing happen again. MSA's, medical savings accounts, were not part of the balanced budget resolution.

The idea was that we were going to have to cut back on the amount of money we spent on Medicare and Medicaid, because we knew that entitlements were ballooning and that, if we did not make some cuts in those entitlements, that the programs would not be there in the future, because we do not want Medicare and Medicaid to become insolvent. We want them to be there for future generations.

So we all reluctantly, I know the gentleman and I reluctantly agreed to some of these cuts in Medicare and Medicaid. But in the context of that, to come along with a totally new program now, medical savings accounts, which really do absolutely nothing but take more money away from Medicare, I think, is unconscionable. I really do, because what we are basically saying is that we are going to cut, if you will, another $2 billion that is going to be possibly taken out of the Medicare Program, when we already know that it is a problem taking some of the cuts that it is taking under this budget resolution; and we are going to give that money, in my opinion, primarily to wealthy people.

I say that because, as the gentleman said, who is going to take advantage of this program? Basically what we are telling this individual is this: If you take the money that it costs on an annual basis for Medicare, for the average person, and we give you that money and you go out and buy a catastrophic health care policy just to cover you in case you have a catastrophic illness, then you keep that other money, what is left, in the bank. Say it cost $1,500 for the catastrophic policy and you have another $2,500 to play with, you keep that in your bank; and as you get sick, you pay for that in cash, essentially.

□ 1530

The average senior citizen, the average person over 65 who is going to be worried about how they are going to pay for their health care if they get sick is not going to take that risk.

The only person who will take that risk is, first of all, someone who is very healthy, and not too many over 65 are very healthy, and they have to have enough extra money, they have to have a lot of other money and be wealthy to know if they have to pay into it, if they have to go over that 25, that the money is available. So the only people who are going to take advantage of this are healthy and wealthy people. The other thing is if they do get sick, then a year later they can go back into the traditional Medicare.

What are we doing? Once again we are creating a huge hole in Medicare to give money back essentially to pretty much wealthy people, and then at the same time, the Republicans have refused to pay for the premiums for the very poor people, we call them SLMBY's, who they promised in the budget agreement they were going to pay for.

So under this Republican proposal that came out of the Committee on Commerce, if I am somebody at the lower end, relatively poor, right now my Medicare Part B, my doctor bills, if you want, my doctors insurance, is paid for by Medicaid, OK? But the Republicans are saying, we are not going to do that because that is going to cost us $1.5 billion, so you are on your own.

So what happens is the poor person cannot get the money to cover the Medicare Part B; the wealthy, healthy person now gets money back that they basically get as income to themselves from the taxpayer. I hate to say it because I do not like to talk in these terms, but basically what the Republican leadership has done is to say that we are going to help the wealthy, and we are not going to help the relatively poor struggling working people; again, the same thing that is happening with the tax cuts.

I just find it incredible that they are proposing this with a straight face. This was not part of the budget agreement. This does not do anything to help Medicare. It does not do anything, and if anything, it aggravates the potential problem in terms of insolvency for Medicare.

Mr. GREEN. If the gentleman will continue to yield, Mr. Speaker, I guess my concern is we are losing the budget agreement in the effort with the details. Again, there are a lot of healthy senior citizens, and again, they are smart enough to know that they will not go get those tests if they feel good, if they know they can keep that money themselves.

But again, the average cost for a Medicare recipient in our country today, the average cost of everyone, is $1,600 a year. If you give the healthiest an opportunity to have a medical savings account that is paid for by the Government, paid for by the Government, that is deductible in their premium, then they are going to take it.

My concern is over a period of years, we heard last year the denials that Medicare would wither on the vine. This may be, now it may be baby steps to get Medicare to wither on the vine, because let us take money out of Medicare and put it in an experimental program for $2 billion. Next year it might be something else they want to do, or something else. So they are taking money out.

Again, we know Medicare has to be reformed. We know we want the trust fund, I want the trust fund to be solvent after 2010, because frankly, I am going to be 65 sometime after that time. I want Medicare to be there not only for my dad, but for me and also for my children.

But we do not do it by taking money out of the system and experimenting

with it, and maybe calling into question the whole senior citizen health care program that has been with us since 1965 and has been one of the greatest things our Government has ever done for seniors. It shows, because that is also the ever-increasing population. People are living longer, and it is also because both they are healthier and also they have Medicare to take care of people.

I want to thank the gentleman for taking his time for this special order, not just on the medical savings account, but also on the whole tax bill, because there are things in there that I would like to vote for, but things like MSA's make it to the point where I just cannot vote for it. If they are in there, with the lack of the SLMBY help for the senior citizens, then I would hope the President would also make that determination and veto it if it actually gets to his desk with those in there.

Mr. PALLONE. Mr. Speaker, I appreciate the gentleman's comments. I just want to talk a little bit more about the MSA's, because I think the gentleman made a very good point about how the MSA's actually, in the long run, may hurt or even kill the Medicare program. Many of our Republican colleagues, including the Speaker, who made the comment about how Medicare should wither on the vine, essentially have been indicating over the years their lack of support for the Medicare Program.

I think in many ways what is happening here with the MSA's, with the medical savings accounts, is an effort to try to ultimately destroy the Medicare Program. I am not going to say it is always intentional on the part of my colleagues on the other side of the aisle, but the effect is the same.

Let me just give a little bit of information in that regard. First of all, the whole idea of an insurance pool, and the whole idea of Medicare, because it essentially is an insurance pool, is that you have both healthy people as well as sick people, and everyone in the middle. In other words, you finance the system, if you will, by having as many people as possible who are healthy as well as sick, because the idea is that having a lot of healthy people in the overall insurance pool provides money that can be paid out to those who get sick.

If you break that system, if you separate the healthy from the sick and essentially put the healthy into medical savings accounts so Medicare, now the traditional Medicare, only has sick people, you are essentially breaking the insurance pool, and you are driving up the costs of the Medicare Program for those who are left in it, the people who are essentially sick.

What essentially MSA's do is the antithesis of what health insurance is meant to be, financial protection for the sick. You break the insurance pool and you make it much more difficult for Medicare to exist as a viable program.

Just to consider an example of how the MSA's would drain Medicare, 10 percent of the sickest costs Medicare, per beneficiary, $37,000. Ninety percent of the healthiest costs Medicare, per beneficiary, $1,400; and the cost of the average Medicare enrollee is $5,000.

So if 90 percent of the healthiest seniors, whose actual health care costs are far lower than the average cost Medicare pays per beneficiary enrolled in MSA's, then ultimately what would happen is the increased cost to Medicare for the coverage for the healthy beneficiary would be $3,600, more than double the present costs. Medicare MSA's would drain the funds meant to pay for the sick and would provide a windfall, essentially, to the healthy.

What we are going to see in the long run with MSA's is essentially what I call a death spiral for the Medicare Program. Payments to SMA enrollees will divert funds from traditional Medicare, leave behind higher costs for Medicare enrollees. To meet budget targets, this will lead to cuts in provider payments and possible benefit cuts. The next year the cycle will continue, and eventually the cycle will continue to drive relatively healthy seniors into MSA's, drive up traditional Medicare costs, cut provider payments in traditional Medicare, and drive doctors away from serving patients enrolled in traditional Medicare. This could ultimately lead to the demise of the Medicare Program. I am afraid that that is what we are going to see with the MSA's.

Mr. Speaker, I would like to go back, if I could, for a few minutes to the tax cut plan, and why the Democratic alternative is so much better than what the Republicans have put forward.

If I could just talk about two aspects of this, one is what the Republicans have done in their tax cut plan to essentially attack the struggling working families, people who are just getting out of welfare, that are trying to work. The second thing I would like to talk about is how the two plans, the Democrat versus the Republican plans, differ on capital gains and estate taxes, because I think that is where we see the difference in terms of Democrats trying to help working families and Republicans primarily trying to help the very, very wealthy.

As far as this Republican attack on struggling working families, again, going back to the earned income tax credit, to the minimum wage aspect, and to the children in day care, in a letter to President Clinton, the Committee on Ways and Means chairman said that he would not give his $500 child tax credit to millions of working families because they ''already receive Tax Code benefits through the earned income tax credit welfare program,'' referring to the earned income tax credit as a welfare program.

Again, I think that is totally inaccurate, because the earned income tax credit is for struggling working parents. People would be shocked to hear themselves described as on welfare when they are paying taxes. Essentially I think this is the Republican strategy. In order to give as many tax breaks as possible to the wealthy, they have to keep putting down low- and middle-income families, and they make them seem undeserving of tax credits.

The other thing is that the GOP bill punishes working parents for placing children in day care. We talked about this a little bit. Families eligible for this same earned income tax credit are not the only ones that the Republican tax bill shortchanges. The House Republicans refuse to give their child tax credit to parents who deduct child care expenses from their taxes, effectively punishing working moms and dads for putting their kids in day care.

Then, of course, the last piece of this is the effort, this sneak attack, if you would, on the minimum wage is saying people who are in workfare, who are coming off welfare, would not be paid a minimum wage.

What I am saying, again, is if we look at the Republican plan it does the opposite of what is necessary to get people off welfare and to help the struggling working class people at the lower end of the spectrum, but who are still working, because it makes it more difficult, more difficult for them to get day care, more difficult to keep money they would get through the earned income tax credit, and more difficult for them to earn a decent wage because they are no longer necessarily going to be paid the minimum wage.

I just wanted to talk a little bit, though, also about the two tax cuts that I think in many ways are at the heart of this Republican effort to try to benefit the wealthy at the expense of the middle class. That is the capital gains tax cut and the estate tax.

In the Senate Finance Committee plan put forward by Senator ROTH with regard to capital gains, the top rate on capital gains from the sale of stocks, bonds, or other assets would drop to 20 percent from 28 percent, so again, the Republicans are looking at capital gains cuts across-the-board, stocks, bonds, or whatever assets, and they are dropping the rate from 28 percent to 20 percent.

Up to $500,000 of the gains from the sale of a home would be exempt for married couples. Currently the tax can be deferred if the gain is rolled over into purchasing of another home. What the Democrats, or I should say the President's response is, President Clinton's response to the Senate Republican plan, was to basically say that capital gains breaks should be narrowly targeted to homeowners and middle-income families.

That is not to say that we would not like to give a tax break to people who have large portfolios of stocks and bonds, but we have a very limited amount of resources here. If we are going to have tax cuts that are going to help working families, they should be narrowly targeted to homeowners.

That is essentially what the President has been saying and what the Democrats have been saying.

What the Democrats have proposed in their alternative with regard to capital gains for homeowners is it permits homeowners to sell their homes at a loss, and to deduct those losses, up to $250,000, from their taxes. The Democratic tax alternative permits homeowners to not be taxed on the first $500,000 of gain from the sale of a House, again, as in the President's budget.

With regard to small businesses and farms, the Democrats provide a targeted tax cut for capital gains income. The Democratic alternative cuts the rate from 28 percent to 18 percent for certain capital gains income, and it is targeted only to those who sell real estate, farms, and small businesses after 3 years.

Let us go to the estate tax, because again this is where we see the big discrepancy between the Republicans and the Democrats. On the estate tax, the Roth plan, the Republican plan, says the amount an estate can pass on without paying tax would gradually be increased up to $1 million of small business, and family farms would be exempt from estate tax.

What the President says in response to that is that estate tax relief should be offered only to small businesses and family farms, not to the well-to-do.

What does the Democratic alternative propose? It is narrowly targeted, focusing on family-opened businesses that make our country thrive. For a couple, the Democratic bill increases the amount that a family can pass down at death from $1.2 to $2.0 million, and targets it only on family-owned businesses.

So again, the question here again is where are we going to give the tax relief? Where are we going to make the changes and provide tax relief? The answer, the Democrats say for working families, not for the wealthy. Please, let us not again phase out the alternative minimum tax for corporations, because again, the Republicans there once again show that they prefer large corporations and the wealthy for their tax cuts.

Mr. Speaker, I yield to the gentlewoman from North Carolina [Mrs. CLAYTON].

ACTIVITIES SURROUNDING DISCRIMINATION AGAINST MINORITY FARMERS WITHIN THE DEPARTMENT OF AGRICULTURE

Mrs. CLAYTON. Mr. Speaker, I thank the gentleman for yielding to me.

Mr. Speaker, I want to bring to my colleagues' attention a high priority matter for rural and minority communities, the recent important activities surrounding the longstanding problem of discrimination against minority farmers within the U.S. Department of Agriculture. Indeed, widespread unfair, unequal treatment of socially disadvantaged and minority farmers have been well documented for more than three decades.

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A GAO report, an inspector general's report, and an exhaustive Civil Rights Action Team report called CRAT are just the latest in a series of government initiatives examining this problem. This issue was first raised in 1965 when the U.S. Commission on Civil Rights established that the USDA discriminated both in internal employee actions and external program delivery activities.

An ensuing USDA employee focus group in 1970 reported that USDA was callous in their institutional attitude and demeanor regarding civil rights and equal opportunity.

In 1982, the U.S. Commission on Civil Rights examined this issue a second time and published a report entitled ''The Decline of Black Farming in America.'' The commission concluded that there was widespread prejudicial practices in loan approvals, loan servicing and farm management assistance as administered by the Farmers Home Administration.

However, as no improvement was forthcoming, this matter was investigated again in 1990, by the House Governmental Operations Committee, chaired by our colleague, the gentleman from Michigan [Mr. CONYERS]. Ironically, the same conclusion was reached in 1990 as had been reached in 1982, that the Farmers Home Administration had been a catalyst in the decline of minority farming. That conclusion is found in the Conyers report entitled The ''Minority Farmer, A Disappearing Resource; Has The Farmers Home Administration Been The Primary Catalyst?''

Then in January 1997, the General Accounting Office published a report entitled ''Farm Programs: Efforts to Achieve Equitable Treatment of Minority Farmers.'' While much of the report was inconclusive due to its limited scope, GAO did find instances of discrimination. GAO also found that the disapproval rate for loans was 6 percent higher, 6 percent higher for minority farmers than the rate for nonminority farmers.

The very next month, two related reports were released. The Office of Inspector General Evaluation Report for the Secretary on Civil Rights Issues and the Civil Rights Action Team Report. The authors of these hard-hitting reports came to the identical conclusion as those that had looked at this issue some 32 years previously. There are significant problems with discrimination within the Department of Agriculture.

The CRAT report by the USDA identified discrimination among various minorities, including women farmers, Hispanics, Asian and American Indian farmers.

In addition, in November of last year, FSA Administrator Grant Buntrock stated in a public speech: ''We recognize there has been instances of discrimination in responding to requests for our services in the past, and we deplore it.''

Throughout his tenure, Secretary Glickman has continued to display a firm intent to promote changes at the USDA. However, change, the kind of change which is needed in this situation, is very difficult and very demanding. It is my hope and it is the hope of many of my colleagues in Congress, as well as the hope of minorities across the United States, that Congress will provide Secretary Glickman with the kind of support he will need if indeed true change within the USDA is realized.

To this end, we must enact legislation making some public commitment about this matter, particularly as we are in discussion about race and better race relations.

In that way we will demonstrate that rooting out discrimination at USDA is a national priority, not just words to be in a report. And we will give the current effort the kind of boost that is required to begin to bring closure to a chapter in our national history that should have been closed long ago.

Mr. Speaker, I hope we will correct this discrimination pattern that has gone on far too long and make sure all Americans, all farmers, regardless of their gender, regardless of their race, regardless of locality, will have equal access both to the grant resources as well as the program resources.

THE DEATH TAX

The SPEAKER pro tempore (Mr. COBLE). Under the Speaker's announced policy of January 7, 1997, the gentleman from Mississippi [Mr. PARKER] is recognized for 60 minutes.

Mr. PARKER. Mr. Speaker, I have listened with interest to all of the different speakers today in the special orders. Many of them have been talking about the different tax breaks and tax cuts that we are discussing now. I find it very encouraging that after a long period of time we are finally getting around to talking about giving a break to the American people, something that they have needed for a long time.

Every once in a while there comes a point when an issue comes to the fore and its time has truly come. I think that issue for many Americans is going to center around what I consider the death tax. Some people call it inheritance tax. Some people call it an estate tax. But it is truly in every sense of the word a death tax.

At a point in a person's life when they do not need another emotional blow or financial blow, they have been touched by a circumstance where someone dies. All of a sudden the Government comes in and says, by the way, we are going to add to your misery. What we want to do is disrupt your entire life, and that is especially true for hard-working men and women all over this country.

Mr. Speaker, I want to read a little story. It is about a lady, Idaho rancher named Lee Ann Ferris, who experienced the most devastating event in