cost of living in the United States, to postpone educational decisions or housing decisions, the requirements of building a family, to pay a 28-percent tax on a combined family income of $50,000, $60,000 or $70,000. It is not right. But mostly, with a Federal surplus of $1 trillion in the next decade, after protecting Social Security and Medicare, it is not necessary.

I believe the first obligation of a Federal tax relief is to expand the 15-percent bracket to genuinely include Americans who are in the middle class, to place them in the tax bracket where they belong. The Roth plan participates in this strategy by expanding the bracket and by lowering the 15-percent bracket to 14 percent. It is a good beginning, but it is not a complete plan.

The other twin tax crisis in America is not high rates but disincentives for savings which are causing a crisis in savings in America. The national savings rate in the United States is now the lowest since the Second World War. In May, our national savings rate was a minus 1.2 percent—a negative rate of savings not seen since the Great Depression. It has no corollary in the Western World, and it is a long-term, economic, Governmental and social problem.

Sixty percent of all Americans who retire rely solely on Social Security. More than 50 percent of Americans effectively have no net worth of any appreciable value, other than their home. It is a rational economic response to a tax system that provides discouragement for savings and encouragement for consumption.

I believe this tax reduction legislation about to be considered by the Congress can provide a new beginning, first, by expanding the traditional IRA from $2,000 to $3,000. It is notable that when the IRAs were first instituted at $2,000, had they merely kept pace with inflation all these years, it would now allow for a $5,000 deduction rather than the continuing $2,000 level.

Second, people who accumulate $10,000 in a savings account in America to provide themselves some security from the crisis of life, or for their retirements or to prepare for their children's futures, should not be taxed. The Federal Government has no business—indeed, it should have a disincentive—to ever tax an American family who wants to save a modest $5,000 or $10,000. We have an interest in them doing so and should not be providing a disincentive by taxing them on the modest interest they would accumulate. This simple provision of $10,000 in tax-free savings, exempting the first $500 in dividends and interest, would make the savings of 30 million Americans tax-free.

Third, every American should be encouraged to participate in the new prosperity, burgeoning industries, new technologies, and growing market. The Federal Government should not be taxing the modest capital gains of people who earn $1,000, $2,000, or a few thousand dollars in the stock market, or from the sale of real estate. We should be encouraging every American to participate by investing, to gather some wealth for their own security, so that in retirement they don't rely solely on the Government, or continue to live paycheck-to-paycheck. Even if this accumulates only modest amounts of money in savings or investment, it is a beginning for a new economic freedom for American families.

Many of these ideas were included in the tax reduction legislation I offered with Senator COVERDELL. I am enormously proud that in Senator ROTH's proposal, and indeed now in a bipartisan tax bill being discussed by Senator BREAUX and Senator KERREY of Nebraska, many of these same elements are included. I am glad Senator COVERDELL and I have made that contribution.

But now the question becomes not simply which elements of Federal taxes are to be reduced but by how much. Therein lies the argument. I believe, as many of my colleagues on both sides of the aisle have come to believe, that this Congress can responsibly afford, while protecting Social Security and Medicare, to enact a $500 billion tax reduction program over the course of the next decade. That would allow an additional $500 billion for discretionary spending, a prescription drug benefit, or other national needs beyond protecting Social Security and Medicare. It is modest. But it would have an appreciable impact on the quality of life of American families, and genuinely give tax relief to middle-income Americans.

Finally, every Senator must come to the judgment about not only the size of this tax relief program, which I believe should be $500 billion but, indeed, where it should be targeted. It is middle-income families who have seen the rates of their taxes rise through the years as they were pushed into higher brackets by the cost of living and our national prosperity. They should be our first priority.

Our principal national economic problem, even in extraordinarily good times, is the collapse of national savings. Reduction in taxes on savings should be a high priority.

But I believe, as many Democrats and Republicans have come to conclude, that most of this tax reduction program should be for people who are paying most of the taxes in America.

In the 1993 bill, this Congress can be very proud that with the earned-income tax credit we reduced the burden and, indeed, gave assistance to lower income Americans. They deserved and needed the help. This tax program should be for people who are paying taxes, bearing the burden, and need the help.

This is an important moment for this Congress. This vote on a tax reduction program will say a lot about our priorities. We will chart a course for another decade.

I believe we can reach across this aisle and find a reasonable compromise that gives genuine tax relief.

I want the people of the State of New Jersey to know that I have committed myself to be part of that effort.

I yield the floor.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. ROCKEFELLER. Mr. President, is the Senator from West Virginia allowed to yield himself a certain amount of time?

The PRESIDING OFFICER. The Senator may seek by unanimous consent for as long as he wishes.

Mr. ROCKEFELLER. I thank the Presiding Officer.

Mr. President, I ask unanimous consent to proceed for less than 15 minutes.

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

Mr. ROCKEFELLER. I appreciate the courtesy of the Presiding Officer.

## PROJECTED SURPLUS

Mr. ROCKEFELLER. Mr. President, I am very anxious to talk to my colleagues. I want to do it as much as I can in these days to come.

As the previous speaker said, with whom I do not agree on policy, this is a momentous, once-in-a-lifetime opportunity.

I have been here for 15 years. I was for 8 years before Governor of West Virginia where we faced things such as 21-percent unemployment, and things which are almost Third World in their statistical significance compared to what most of my colleagues had to deal with.

Being able to look at a tax surplus or a projected surplus of a lot of money over the next number of years is a wonderful opportunity for the people of my State and for the people of my country.

I have to say, though, the approach of the Finance Committee, on which I serve, voting a $792 billion tax cut is antithetical, to my thoughts, as to what is good for the country and good for the economy.

I will start off by simply saying the obvious; that is, as one of the senior Members of the majority side of the Finance Committee said, 5 percent of Americans pay 95 percent of personal income taxes, and therefore the money ought to go back to them. That is an odd way of thinking. That is certainly one way of thinking. It is obviously that Senator's way of thinking. It doesn't square with sort of the sense of fairness, equity, and distribution of equal opportunity in an economic sense as in other senses that I was brought up to believe in.

We have projected—and I underscore the word ''projected''—a surplus of $1 trillion over the next 10 years. The central question is: How do we most responsibly spend this? I think it is a central question of historic importance.

For me there is really only one answer; that is, to pay down the national debt.

It is very hard for me to put into words the feeling of how far we have come since the mid-1980s when we used to have those talks with the Japanese, the structural impediment talks in which they would tell us what they thought we should do and we would tell them what we thought they should do and we never listened to each other. We, in fact, listened to them in 1993, and on our own, in a historic vote, made an enormous beginning, later fueled by the private sector, to balance the budget deficit. I didn't think that would happen when I was in the Senate. But we proceeded to take the action.

I myself was assigned the responsibility of cutting $60 billion out of Medicare, which at that time was a great deal of money, and we proceeded to do that. But never in my wildest dreams did I ever even begin to think of the possibility that we might, in fact, be able to pay down the national debt—the national debt which under the Reagan-Bush administration rose to over $4 trillion. I can't contemplate amounts of that sort. So I couldn't possibly contemplate the results of eliminating amounts of that sort.

But we have a chance to do that. We have the chance to do it by the year 2014 and 2015.

People talk a lot about taxes around here. To me, the greatest tax will come if we pass the Republican tax package, if we ''give'' the so-called ''middle-income worker'' that kind of tax advantage because I think it is false. In my State, where the average income is around $30,500, I think the average mainstream worker would end up losing $500 or $600 a year because interest rates would go up on car payments, on home loans, on education loans, on credit cards, and all of those things. Interest rates would go up because we know from what Greenspan said they would. They would probably go up by about 1 percent.

I think the average people in the State whom I represent would end up paying much more under the Republican tax cut plan than they would if we opted to retire the debt because in that case, I think interest payments would go down, and those same people—having watched in wonderment what is or is not going on in Washington—would benefit from the results of two things: Not only lower interest rates, which would affect them up to where they are fixed, but they would also benefit from an economy.

I try to contemplate this in my mind. Come the year 2010 or 2011 when the world really begins to understand that America is dead tracked on the idea of elimination of the national debt, what would happen to the national economy?

My mind can't even bring that into consideration, except it is filled with scenes of incredible entrepreneurial activities by people who are willing to take risks, people who emerge from the hollows of West Virginia, from the deserts of Nevada, from all kinds of high plains of the Northwest, or the northern middle west, and start doing all kinds of things which they have never dared do before base interest rates were there to do it, where money is available, capital is available, and there is a sense of optimism in America, and what I have seen in the last 8 years becomes almost a memory in terms of the optimism and the incredible success and energy of that kind of new economy.

To me, paying off the national debt does two things:

One, it guarantees the economic future of the people whom I represent, who elect me to represent them; and it guarantees the economic future of the entire country for perhaps a generation or two to come because we will have done something impossible—eliminate the budget deficit, and then eliminate the national debt.

How would the markets respond to that? How would human nature respond to that? I only glory to contemplate what that might mean.

Second, I want to pay down the national debt because I don't want to spend money. I don't want to spend money on a whole lot of new things. I want to make sure that something called Social Security—the money for that—and something called Medicare—the money for that—is there in the meantime, until those programs run out of money in a number of years, as all of that money will be going into those trust funds, building up and guaranteeing the future of Medicare and Social Security. That is a matter not of the energy of the American economy but the depth of the American commitment, the social contract that we made both with respect to Social Security and Medicare, both of which are going to need our attention and which need more funds. They would have the funds under a system wherein one concentrated on paying down the national debt.

In the Finance Committee, I originally was for a tax cut of only $250 billion. I am for that today. That was a different tax cut from anything we are considering. I worry very much about Americans not saving. I like the idea of Government matching any American who put a certain amount of money into a savings account; in other words, to encourage something which we do worse than any other people in the world, and that is to save money, putting money in the bank—not only for one's own future but for the capital markets.

I want to see that. I want to see the marriage penalty tax eliminated so it does not become more expensive to get married, it becomes less expensive to get married. If we put up a bill that had no tax cut at all, I would be tempted. I don't know, in the final analysis, if I would vote for it, but I would be tempted.

I believe in paying off the national debt. I think the consequences of that are enormously exciting. Not contemplating the numerical ''joust'' we play with each other over millions and trillions of dollars, the simple fact is that by the year 2014 or 2015 there would be virtually no national debt remaining—less than 1 percent. That is the single most exciting public policy event I can contemplate since I have served in the Senate. My fear is that Congress is going to figure this out but that Congress is going to figure it out too late, after it has already done the damage.

I regret our failure so far to seize this once-in-a-lifetime opportunity to pay off the national debt. I regret it for my State. My State is the oldest State, so to speak, in terms of population. It has actually surpassed Florida. That would naturally bias me in terms of Social Security and Medicare. If I were from another State, I would feel the same way, I believe.

Social Security has lifted two-thirds of Americans out of poverty. Does one turn one's back on this? People voted for the $792 billion tax cut. But $2 trillion of the surplus already belongs to Social Security. That is not on the table. Of the $1 trillion remaining, that can only happen if we do draconian domestic cuts. I don't mean adding new programs. I mean taking tremendous numbers of billions of dollars in every single area for years and years and taking away from what we are already doing.

I care passionately about veterans' health care as I have watched the veterans' health care system deteriorate in a variety of ways across this country. We are not talking about increasing veterans' health care costs. We are talking about tremendous cuts in those we already have.

Many Members have discussed the fact that a young mind is formed by the time it is 3 years old, the importance of Head Start, the importance of the Older Americans Act, the importance of low-income-housing heating, housing, enterprise zones, law enforcement, the military. All of these receive enormous budget reductions that would sustain themselves over a number of years. Over half a trillion cut from present spending in fiscal year 1999; the same on through fiscal year 2002 and beyond that. CBO doesn't even choose to figure what happens after 5 years. They say they have never done it before so why should they do it now. I think that is an amazing way of thinking. That is what they say.

If we spend $792 billion on a bunch of tax breaks now before we even know that the money is for real and that it will absolutely be there, I cannot in conscience, for the people I represent, believe that Medicare and Social Security will be anything under the great strain of reducing benefits. I cannot bear to have that happen. I don't think anybody should tell you otherwise.

I understand it is very easy to talk about a $792 billion tax cut. It is wonderful to sit in the Finance Committee and have people say we ought to do

this or that about ethanol and this or that regarding helping different people, different groups. Sometimes people voting for the bill got all kinds of things implanted in the bill. That was nice. I am sure they were good things.

How does that compare to the real possibility of setting America virtually free economically, establishing our economic dominance for all time by retiring the national debt? Think how the markets would respond to that. Think how capital overseas would flow into our markets, further enabling us to go out and build an even stronger America, close the digital divide, to give everybody an equal opportunity—not guaranteeing that everybody succeeds but guaranteeing everybody has at least a chance to succeed.

I cannot allow NIH, Head Start, or education programs to take the tremendous reductions from their current level of funding by the Federal Government that would be required under the Republican tax cut. It is phenomenal to me that people have not focused on this consequence of that $792 billion tax cut, a tax cut basically for the rich who already have it, who have already gained by the system, who have already gained through the last 8 years by the stock market increase.

What about the people who are working hard and who would receive a $188 tax increase compared to a $700 or $800 tax increase for people who are very wealthy? I ask my colleagues to think about fairness. I ask my colleagues to think about the consequences of a $792 billion tax cut, and I ask my colleagues above all and finally to think about the absolutely extraordinary power of what would happen in this country if we actually reduced the national deficit to virtually zero—deficit and then debt. We can do both. Therefore, we shouldn't do the Republican tax cut.

I yield the floor.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DURBIN. I ask unanimous consent to proceed as in morning business for 15 minutes.

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

## TAXES

Mr. DURBIN. Mr. President, I commend the Senator from West Virginia. His has been a lonely struggle on the Senate Finance Committee in the minority. I know what he has said today on the Senate floor is an expression of his personal commitment and philosophy in the Senate Finance Committee.

It is such an alluring possibility for politicians to vote for tax cuts. Can you think of two more exciting words for politicians to say other than: I'm going to cut your taxes—tax cuts? Yet we know it may not be the most responsible thing to do on behalf of families across America and the state of our economy.

What the Senator from West Virginia has said during the course of his remarks bears repeating. Look to the question of fairness. We have heard statements on the floor from Members of the Senate who have suggested that taxes have gone up on American families.

It is interesting that when looking at facts we find something different. A median-income family of four currently pays less Federal taxes as a percentage of its income than at any time in the last 20 years.

This data comes from the Treasury Department and the Congressional Budget Office. Lower-income families at one-half the median income level face a Federal tax burden which is the lowest in 31 years, according to the Treasury Department. A family of four can make up to as much as $28,000 a year without paying Federal income taxes. For a family of four at twice median income, that would put them in the middle-income category. The average Federal tax rate will be its lowest in over a decade.

That is not to suggest families do not face a tax burden. They do. Many still pay the payroll taxes, some Federal income taxes, and State and local taxes.

The general increase in revenue to the Federal Treasury really is evidence of a strong economy where people are working, making more money, and perhaps doing better in the stock market than they had in previous years.

When we talk about tax fairness, many of us believe if there is to be any tax cut, it should be directed to the people in the lower- and middle-income groups. Those are the first who should be served.

This chart illustrates what I mentioned earlier.

Mr. ROCKEFELLER. Will the Senator yield?

Mr. DURBIN. I will be happy to yield.

Mr. ROCKEFELLER. I have one quick point. People say we ought to have a tax cut and we ought to give it back to the people who earned it. In other words, it is not the Government's money; it is their money.

I think one thing is interesting: How much is it their money as opposed to their children's money and their children's children's money. In other words, when we talk about protecting money for future programs, such as Social Security and Medicare, we are not just talking about those who pay taxes, whether they be rich or poor, but whether or not their children and their children's children are going to have a reasonable shot at life. It is not just that we do not have money because we are living now and others are not, but we have to keep looking toward the future and our responsibility to that future; is that not right?

Mr. DURBIN. The Senator from West Virginia hits the nail on the head. If we were to abandon our commitment to education, for example, in the country, it would be the most shortsighted thing in the world. It may reduce Government spending; yes, it may reduce taxation; but does anyone believe America would be a better country for it? I certainly do not.

When we say to families we can give them a tax break this year, a tax cut this year or we can take the money and reduce the national debt, and by reducing that debt say to their children and their grandchildren, you are going to have less to pay in taxes for interest on the debt we accumulated in our lifetime, that to me is the most popular thing I have found as I have gone around the State of Illinois.

People are saying: Senator, before you start talking about new programs or massive tax breaks primarily for wealthy people, shouldn't you accept your responsibility to bring down this national debt that is over $5 trillion, a national debt that costs us $1 billion a day in interest payments that are paid primarily to foreigners who hold the national debt of the United States in Treasury securities and the like?

That to me is eminently sensible because when that debt comes down, we reduce the need for $1 billion a day in taxes being collected across America for interest and we reduce the Federal demand for money. When the Federal demand for money goes down, the cost of money—that is, the interest rate—comes down. Families benefit twofold: There is less of a burden when it comes to taxes for interest and paying off the national debt and lower interest rates, which means homes are more affordable and small businesses and farmers can at a lower cost borrow money necessary for their businesses. That to me is a sensible approach. In fact, let me go out on a limb and say it is a conservative approach.

The Democratic plan we are putting forward is the fiscally conservative approach to deal with the national debt. I am heartened by the earlier statement of the Republican Senator from Ohio when he agreed with us. He believes, as I do and as Chairman Alan Greenspan of the Federal Reserve Board has said, that our first priority should be the elimination of that debt and keeping our commitment to Social Security and Medicare.

Do not be misled as you hear some of my colleagues say we have $3 trillion in surplus and we ought to be able to at least give a third of it back to the American people. They do not tell you the whole story. Almost $2 trillion, $1.9 trillion of the $3 trillion, is really money that we virtually all agree should be dedicated to Social Security. We do not want to raid the Social Security trust fund. People have that money taken out of their payroll for the purpose of making certain Social Security is there in the future. Those who are counting that as some sort of surplus really are not dealing fairly with the most important social program in America. So take off the table of this $3 trillion surplus $1.9 trillion, leaving you a little over a trillion dollars.

Of that amount, how much are we going to dedicate for some very important things—paying down the debt or