I think the first response to a default would be a rise in the interest rates we have to pay for our debt.

I would urge progress on the efforts to have a comprehensive solution.

I yield the floor.

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

The PRESIDING OFFICER. The Senator from Illinois is recognized.

Mr. KIRK. Mr. President, I ask unanimous consent to speak as in morning business. The Senator from Illinois is recognized.

LINCOLN LEGACY INFRASTRUCTURE DEVELOPMENT ACT

Mr. KIRK. Mr. President, beyond the debt limit extension, which has rightly consumed the attention of this body, we face another challenge—the funding for our roads, airports, and railroads.

Our best estimate is that current needs would total $255 billion annually, but revenue from the main source of funding for these programs, the gasoline tax, only totaled $90 billion.

The law requires balance in the transportation trust fund. So how would this gap be paid? There are basically three major options.

Option 1: Let funding fail. This would be a catastrophe, especially for the construction industry, where already in Illinois upwards of 30 percent of construction workers are without work.

Option 2: Increase the gas tax. But that is one of the most regressive taxes that hits the working poor harder than almost any other citizen in our country. The slowdown in our economy as a result of a gas tax increase would probably cause unemployment to go up and could jeopardize our extremely fragile recovery.

There is a third option, but before I describe that, let me ask a question. Arguably, what is the third biggest thing that the Lincoln administration was known for? First would be the emancipation proclamation. Second would be the victory in the Civil War. What is No. 3? I argue that it was the 1862 Transcontinental Railway Act—an act that, in 1862, when the Lincoln administration was borrowing as much money as it could from as many creditors as possible to fund the expansion of the Union Army, with credit already stretching to the limit—and does this sound familiar—the Lincoln administration itself, to use public-private partnerships as a way of addressing our debt and growing jobs in the United States, without increasing taxes?

I urge this body to review this legislation as we come up with a new transportation bill, and to see it as a way to improve jobs, income, and our infrastructure—which is at the crossroads of the Nation, Illinois—and do it in a way that doesn’t hurt our economy or the working poor.

With that, I yield the floor.

The PRESIDING OFFICER. The Senator from Michigan.

THE DEBT CEILING

Mr. LEVIN. Mr. President, we must raise the debt ceiling today. This is not an opinion; it is a fact. The consequences of failing to act are simply too catastrophic to consider any other course. Negotiations are underway now to seek an agreement to raise the debt ceiling and to make a genuine start on deficit reduction. But there is a major obstacle to agreement: a refusal on the part of the Republican leadership to compromise, a refusal to understand that sacrifice must be shared.

The sacrifices they say must come from middle America—those struggling to pay for a college education or for health care for their kids or for long-term care for their parents. The Republican leader demands that this sacrifice be made by the middle class in order to protect the Bush tax cuts and other tax breaks for the wealthiest among us—despite the huge and growing gap in the distribution of income in our country between the wealthy and the middle class.

One example of the kind of tax breaks and tax loopholes that we Democrats seek to change is the unconscionable tax break given to hedge fund managers. Hedge fund managers generally make their money by charging their clients two fees. First, the manager receives a management fee, typically equal to 2 percent of the assets invested. Second, the manager typically receives 20 percent of the income from those investments above a certain level. This share of the investment returns from hedge funds is known as “carried interest.” Under current law, most hedge fund managers claim that this carried interest qualifies as a long-term capital gain, currently subject to a maximum tax rate of 15 percent, rather than being taxed as ordinary income, currently subject to a maximum tax rate of 35 percent.

But a moment’s analysis shows that this money is ordinary income by any standard, much like the interest earned on a savings account. In 2010, for example, 10 hedge fund managers received over $1 billion in carried interest. Their managers claimed that over $30 billion was carried interest. That’s over $30 billion of income that was taxed as capital gains, because it applies not to long-term capital gains, but to ordinary income from work. Why should the earnings from invested funds be treated in that way? The 20-percent fee is not capital gains, because it applies not to capital that the hedge fund manager
has invested, but to the payment he receives for investing capital that other people provide. Pretending that the 20 percent fee is capital gains when, in fact, it is payment for a service an “Alice in Wonderland” argument that elevates the fact.

We Democrats seek to end this fiction. We are ready to call carried interest what it is—ordinary taxable income. Recognizing carried interest for what it is would increase tax fairness for working Americans who pay their fair share of taxes. They have the right to expect that the wealthy do the same. It would reduce the deficit—if we did this—by an estimated $21 billion over the next 10 years.

Republicans seek to protect this loophole. They say the income of investment managers is at risk from year to year and, therefore, deserving of a lower tax rate. Well, ask the factory worker, who just saw his or her job move overseas; ask the store clerk, who was laid off because of the damage from the financial crisis; ask the part-time worker, whose hours and earnings go up and down from week to week—ask all of them just how much risk working Americans face right now.

Republicans say taxing this income as ordinary income would discourage investment in job creation, and that is absurd. The people who are actually risking their capital—investors in these hedge funds—would not see their profits taxed at the lower capital gains rate. The issue in this case is income that these managers receive for serving their clients. If you are a hedge fund manager, your job is to manage their money. The idea that the income of millionaires and the wealthy individuals is at risk from year to year and, therefore, deserving of a lower tax rate. Well, ask the factory worker, who just saw his employer close because of offshore tax havens and other un-ếmlothing the carried interest loophole

The debt ceiling has a deadline of August 2. We have no reason to accept any deficit reduction package if it includes revenue measures. So let’s call this what it is. If Republicans refuse to consider compromise solutions, they are threatening all of us, the whole country, with economic catastrophe in order to protect the sky-high income of millionaire hedge fund managers and other tax avoiders. Those are two of the loopholes—two of many loopholes—we have identified that should be closed that Republicans refuse to consider closing. As I said, there are choices. We should not make no mistake about this—is holding the well-being of all Americans hostage to the tax breaks of a wealthy few.

We all agree we must act to reduce the deficit. We have acknowledged, as Democrats, the need for spending cuts, even painful cuts to programs we support. That is why I am so troubled by the utter refusal of the Republicans to consider even modest compromises in the direction of new revenue.

There is an overwhelming consensus among budget experts that we cannot achieve serious deficit reduction with spending cuts alone. There is an overwhelming consensus among economists that drastic cuts in Federal outlays would threaten our economic recovery—just as such cuts have throttled recovery in other nations. And despite the fantasies of some in Congress, it is abundantly clear a failure to raise the debt ceiling would do incalculable harm to the recovery and to our standing in the world. Drawing lines in the sand, as the Republicans have done, and refusing to compromise by walking out, has no place in the situation we face.

I urge the Republican leadership to abandon their uncompromising positions, to embrace solutions to the deficit and recognize that we all must sacrifice to address the deficit problem. The well-being of all of us, of all Americans, should not be held captive in the service of the most fortunate few.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DURBIN. Mr. President, I ask unanimous consent that the order for a quorum be rescinded.

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

Mr. DURBIN. Mr. President, if people have been following the debate on the Senate floor this afternoon, they understand it is focused almost exclusively on the Federal budget deficit and what we are going to do about it. It is a legitimate and timely question, because we are now in negotiations at the highest levels—between the President and the leaders in the House and Senate—to try to find some way through our impasse.

The challenge is to find a way to reduce America’s deficit and, at the end of the day, to extend our debt ceiling. The debt ceiling has a deadline of August 2. We have never in our history
failed to extend our debt ceiling. To fail to do so would be the equivalent of defaulting on a mortgage payment. And, of course, we all know the consequences to any homeowner or family that occurs. You understand your credit rating is not going to be the best after you default, and that thing would be true with America. You also may find the next time you need a mortgage that particular bank may not want to lend to you again. The same thing is true with America. It has a negative impact on the lifestyle, all of a sudden you are in a suspect class and it isn’t as easy to borrow money to buy a car or to make some other purchase.

That is the risk we are running at the highest possible level when it comes to this debt ceiling vote on August 2. We have never—underline the word never—defaulted on a debt ceiling extension in the history of the United States of America. That is the reason why. It is huge and held stocks that are sold in this country enjoy a financial reputation better than most of the world. The United States is powerful, big, and trustworthy. We are going to lose that last word trustworthy if we default on the debt ceiling. That is what we face on August 2.

There is a group in town here called the Bipartisan Policy Center, and they have kind of spelled out in specific terms what it would mean if we end up in default, and it is pretty grim. I have some charts here that talk about what we would face if we defaulted on the debt ceiling extension on August 2.

The revenues for the month of August if we default will be $12 billion in the United States, and the bills due on August 3 will be $32 billion. The first day we will be $20 billion in the red, which means choices will have to be made if we fail to extend the debt ceiling, and they are hard choices. Let’s take a look at some of those choices we would have to face if we didn’t have enough money to pay our bills.

Which of these don’t get paid if Congress doesn’t raise the debt ceiling? Social Security? Medicare/Medicaid? Veterans’ benefits? Those firms that are supporting our war in Iraq and Afghanistan? IRS refunds to individuals and businesses? All of these would have to be brought into question, because we cannot pay all if we fail to extend the debt ceiling.

This bipartisan policy center said, Let’s consider one of the options. Let’s protect the biggest programs. Let’s pay the debt ceiling. That is what we face on August 2.

In fact, a fringe publication called the Washington Examiner, which is a very conservative Republican publication, today said: Don’t worry about it. Default? We can figure out a way through this.

Well, I am sorry, but the reality of the choices facing us is that if we choose not to extend the debt ceiling, then we are going to have nothing but terrible choices.

Here is another scenario. If you thought the first one was stark. Let’s assume that we want to protect the most vulnerable in America where, in the month of August, we have $170 billion in bills. So we pay interest on the debt, Social Security, Medicare/Medicaid, veterans, food stamps, housing for people who are poor, unemployment benefits, and education for the kids. Unpaid would be the defense firms again, those men and women serving in our military, even those in combat, the FBI, the courts, and everything else in government. The options are grim and real.

I have heard my colleagues on the Republican side say--well, I am not going to say their name come to the House today, and they are upset. They are upset at a speech given by the President yesterday. Well, the President understands the gravity of the decision that is before us. The President has urged Members of Congress to get busy and help to solve the problem. I think he has a right to be upset, to some extent, and impatient.

It was 2 weeks ago that we had a negotiation underway with Vice President Joe Biden, a bipartisan negotiation, Democrats and Republicans from the House and Senate. It fell apart when Congressman CANTOR, ERIC CANTOR, the House Republican leader, walked out and announced publicly, I am no longer part of this conversation. I think we have to stop this negotiation, this bipartisan negotiation. I am handing it over to the Speaker of the House JOHN BOEHNER. He can talk to the President.

That, to me, was the height of irresponsibility. If you are given a responsibility to sit in those sessions to try to spare the United States from this terrible outcome, picking up your marbles and going home is not a good option, even if you hand it over to your boss, the Speaker of the House. What it did was to break down those bipartisan negotiations. What we thought might lead to a solution has fallen apart when the House Republican leader walked out and announced publicly, I am going to pick up the pieces and put it back together and move us toward a solution, and if he was impatient about it yesterday, he has a right to be.

Some of the very serious problems we face is if we want to deal with this deficit in real terms, make a real impact on it, we have got to have more bipartisan cooperation. That is a cliche around here, but it is a fact.

I was on the President’s Deficit Commission, the Bowles-Simpson Commission. I sat there for almost 10 months, and I listened to everything. I tried to learn as best I could what we were facing, and at the end of the day I voted for the Commission report. Eleven out of 18 of us did, a bipartisan effort. It was tough and it wasn’t easy, and there were parts of it that I hated as a Democrat. Yet I knew that if we were going to solve this problem, there was no other way to do it. We had to say to the Republican side of the aisle, you have to step up with us and find ways to bring revenue to our government.

Today we are bringing in 14 percent of our gross domestic product in Federal revenue. Federal tax receipts. Gross domestic product is the sum total of our economy, all the production of goods and services; 14 percent of it comes in in Federal revenue, 24 percent goes out in Federal payments, spending. That 10-percent difference equals the annual deficit.

Ten years ago, we were in balance. When President William Jefferson Clinton left office, the Federal budget was balanced, 10 years ago. At that moment in time, the net national debt of the United States of America, from George Washington through William Jefferson Clinton’s 8 years was $5 trillion.

Eight years later, when President George W. Bush left office, the national debt had grown from $5 trillion to $11 trillion, more than doubled in an 8-year period of time. You ask yourself, how could that happen in 8 years that we would fall so deeply into debt? There are three basic reasons it happened, and I think if you audit the bill, you didn’t pay for them. So the expense of those wars was added directly to our national debt. The President’s economic theory was: The best way to move the economy was for us to give tax breaks to the wealthiest people in America, and he did it in the midst of a war, something no President had ever done, which directly added to the debt, and he signed into law programs that weren’t paid for, expensive programs. So we ended up with an $11 trillion debt figure. President Bush, then President Obama, being sworn in and a failed economic policy with hundreds of thousands of Americans out of work.
June 30, 2011

S4284

CONGRESSIONAL RECORD — SENATE

and losing jobs by the day. That is what the President inherited.

He has tried to right the ship and move us forward, and it has been hard and it has been slow and it has been frustrating. I think he has done his best, and I think he has done a good job at it.

First, he put in a stimulus package of about $800 billion. As the Presiding Officer here knows, 40 percent of that was tax cuts, tax cuts to the families across America. It was a no-strings-attached commitment. Another 25 percent of it went to building roads and bridges and highways and high-speed rail, infrastructure that will serve America for generations. The remainder of that went into helping State and local governments get through difficult times. We sent extra money to States because we knew a lot of people were out of work. They would need unemployment checks, they would need help to pay their hospital bills. We put that money into help to stop what was a hemorrhaging in this economy, and I think it worked to slow down the decline. It did not turn it around as quickly as we liked.

Then last December the President said, Why don't we get together on a bipartisan basis I will agree with the Republicans to extend all tax cuts for everybody, highest income to lowest income, and extend unemployment benefit payments. We passed that as well.

The President has tried, and we are coming forward out of the recession ever so slowly. Now we run the very risk of not extending the debt ceiling and plunging ourselves back into a recession even worse than where we started. So is the President impatient? You bet he is. Impatient to the point where he invited Congress to maybe come to work next week.

Many of us had felt we could spend a few days back home. I was going to spend the 2 days traveling around my State. It is a big State; but I guess it is clear now that my job is to be here, and I will be, along with other Members.

The House will be in session. We are in a strange period of time here where the House of Representatives comes and goes even when the Senate is in session, so we kind of see each other in passing. Well, we will both be together next week, and I hope we will stay here and finish this job done. The House is scheduled to go into another recess July 17 to 23, and I certainly hope they don't do that. They had better stay in town. Let's get this done before August 2.

We have a serious problem facing us with job creation in this country. There is no question about it. I think we can move forward as long as we understand some basics.

The key to creating jobs in America is an expanding positive economy. It is a feeling by people in this country and around the world that we are moving forward. And, sadly, people are not going to get that feeling unless we get our act together in Washington. It means Democrats and Republicans working together.

I have tried for about 5 or 6 months now with a bipartisan group of Senators to come up with a way to do this; and, unfortunately, the Republicans from Oklahoma walked away from that conversation as well. But we still have a job ahead of us, and it is one that we ought to face.

I sincerely believe that the Bowles-Simpson Commission that the President and the Bipartisan Group put together are the right direction for us in terms of where our Nation and our budget should go. It calls for some changes many Democrats will find painful and changes Republicans will have to struggle to accept as well, but those are the changes that will be needed.

If we fail to include revenue in this discussion about reducing the debt, if it is just spending cuts, it can only go so far. If we can talk about a much bigger package of deficit reduction, much more credible, with a more positive impact.

During the course of the last 2 days, we have tried to identify on the floor some parts that can be changed to save money for our economy. Each year, our Tax Code, that body of laws relating to taxes in America, provides deductions and credits and exclusions and special treatment that spares individuals and companies from paying taxes. It is 11.1 trillion in taxes each year. It includes such things as the employers exclusion of health insurance premiums, mortgage interest deductions, charitable deductions, State and local tax payments. All of these things and many others are included in that Tax Code. It is rare that we open that Tax Code and ask the question, Is this needed?

In the last few days we have come to the floor and talked to the tax subsidies that aren't needed that, frankly, have to be sacrificed in order to get this economy back on its feet. We talked about one that is incredible. In the first quarter of this year, ExxonMobil declared profits of $10 billion, one of the most profitable quarters in the history of American business, and we as taxpayers continue to subsidize ExxonMobil. Why? They are doing quite well. And remember the last time you filled your tank with gas? It cost you as much as they are now sparing us when it comes to raising the price of a gallon of gas. So I think that subsidy should go. Subsidies to the oil and gas companies at this moment in history are unacceptable. We have a thriving profitable industry that does not need a Federal tax crutch.

Take a look at some of the others we have talked about as well. Do you know we provide tax subsidies for American businesses that want to ship their jobs overseas? We call it deferral of income; it is one of the most expensive parts of the Tax Code. It says if you want to move your business overseas and produce overseas and generate a profit, you can hang on to that money. You don't have to pay taxes on it. We defer the payment of taxes. There is a tax break for a company that has decided to pick up and leave America and go someplace else. Why? Why would we create a tax incentive to lose jobs in America? It is the way to make a profit, so be it. I am sorry they would be leaving America, but for goodness sake, they shouldn't expect us and we shouldn't volunteer to subsidize that decision that costs good-paying jobs in America.

There are a variety of other smaller tax subsidies, those we have to raise questions about. That is for sure. Tax subsidies for people who are lucky enough to own a yacht? We want to give them a tax subsidy? Or people who are lucky enough to own a jet plane? People who are lucky enough to have thoroughbred horses? Most of the winners who stand at the winner's circle of these races don't look like regular folks who are doing pretty well in life. Why is the Tax Code subsidizing that particular industry? I think it is a valuable and important question.

Why don't we put these things on the table? Why don't we ask ourselves whether, at a time of deficit, when we need to not only reduce spending but come up with revenue, that there are some things we can no longer afford under our Tax Code.

During the course of the last 2 days, I sincerely believe that the Bowles-Simpson went a step further and said, If you start making substantial changes and reducing the tax expenditures, deductions, and credits, you can actually reduce marginal income tax rates for individuals and businesses. I think that is a valuable thing to look at. We don't have to eliminate everything in the Tax Code, but making substantial changes could result in a fairer, more comprehensive tax system.

Let me say one other thing that I think is guiding me in this debate and I think you as well. I think about an America, a nation of values that has always said we have got to care for the most vulnerable people in our country. Some of these people, through no fault of their own, were born with physical and mental shortcomings and limitations. Some of them are dealing with illnesses that we wouldn't wish on anyone. Many come from an impoverished background and are struggling to make do with the basics in life. I feel, at the end of the day, we can make this economy move forward, and we can do it in a sensible and humane way. We can protect the basic safety net. One of the elements in that safety net is Medicaid.

Yesterday, I had a meeting with some people I respect very much. They came in to see me. They represented the heads of children's hospitals from all over the United States, even from your State. My family has relied on those children's hospitals in Washington, DC, and in Chicago and other places, and thank goodness they are
June 30, 2011

CONGRESSIONAL RECORD — SENATE

S4285

there. I do not know of a more caring, competent profession in America.

More than most hospitals, children’s hospitals bring in patients on Medicaid. These are patients who are not from families who are wealthy, they are not from families who have private health insurance policies — by and large, they are the poorest families.

One-third of the children in America are covered by Medicaid. That is where they get their health care. If we talk about that, on Medicaid, this program for low-income and disabled people, those children will be unfortunate victims in that budget discussion. Also, a large part of Medicaid goes for elderly people who have spent their life savings and are living their last years in nursing homes and convalescent centers. Medicaid pays that. Cutbacks in Medicaid run the real risk of pushing those people out of quality care into lower quality care or the streets.

Is that what America is all about? Would that be a tax break for a person who owns thoroughbred horses and then say that unfortunately that elderly lady has to leave the nursing home she has been in? Would we preserve a tax break for someone who owns the horses, say that ultimately we will not be able to cover the cost of a needed surgery for a poor child at a children’s hospital in Chicago?

If that sounds like an exaggeration, it is not. That is what this debate comes to — whether we want to defend tax breaks for the well-off people in America at the expense of the most vulnerable. We are better than that, and most well-off people whom I know — and I have friends who are doing very well in life — would not be afraid to pay a little bit more in taxes to make sure America continues to move forward. They feel blessed to be part of this country and blessed to be successful in it, and they do not resent the suggestion that they need to pay a little more when times are difficult. They are certainly prepared to sacrifice.

Some come to the floor here and think it is an outrage to ask oil companies not to take a subsidy in their most profitable year. They think it is an outrage to ask those who are fortunate and feel lucky about meals on the table. We couldn’t afford it.

I just checked because I wanted to be sure that at the date we have lost 4,400 American lives in Afghanistan. We have lost over 1,600 to the war in Iraq. We have lost 40,000 to the war in Afghanistan. Those are homes that are without a son, a daughter, a brother, a father at
Republicans are doing everything in their power to help them. Last month 45 Republican Senators voted against ending these wasteful subsidies and using the money to reduce the deficit. Last week they chose to walk out on deficit-reduction negotiations rather than even coming putting a stop to Big Oil giveaways.

Making oil companies pay their fair share in taxes is not going to hurt the industry. It just means Big Oil executives might have to do with a smaller swimming pool for a little while longer to buy a bigger yacht. It is clearly offensive, and they are not helping. They are not helping lift the spirit of America. People are discouraged. They are worried about losing their homes. They are worried about losing their kids not be being able to get an education that they are emotionally, intellectually qualified for because they don't have the money because it is not available to them.

When we look closely to what the American people care as we know it, the most successful way the money gets to them—how else are they footing the bill, going up to the gas station. When somebody has to spend $10 to $15 to pay for their health care. A family making $24,000 gross. A family making $60,000 will have to spend over $3,000 to pay for their health care. They don't want to help those families to be able to provide a future for their children. They don't want to be able to help the families who need health care for the job market. That is not what they are about. So why should we use some of the money to invest in America, take down our debt, prepare young people for the future, and turn America around. Why should we use some of the money to reduce the deficit.

Big Oil giveaways.

I said before, I was a CEO for many years, 30 years before I got here, and I know you cannot run a company or a country without a good, strong revenue flow. So I call on my colleagues, please, listen to what your country needs. See what you can do to make the country stronger. If our middle class, our modest-income class starts to fail along the way, we will not be able to conduct business as usual. It is for your own protection. Get with it. Make sure they understand that you cannot just get more of what is coming out; that you have to give something back to this great country of ours.

I call on my colleagues: Get Big Oil off the Federal welfare roll. Let's invest in our country's future and not have larger windfalls for oil industry lobbyists and lawyers. We have to make sure our children and our grandchildren inherit a country that is fiscally sound, morally responsible, able to provide health care, provide an education, able to guarantee that a child can prepare to be a leader in the future. We have to make sure that everybody sees a chance for themselves to succeed, not to be dependent on government programs and able to have those programs to get them started in life.

Mr. President, I yield the floor.

HONORING OUR ARMED FORCES

CHIEF WARRANT OFFICER KENNETH R. WHITE

Mr. BENNET. Mr. President, today we honor the life and heroic sacrifice of Chief Warrant Officer Kenneth R. White. He was 35 years old. He died on June 5, 2011, in Khost Province, Afghanistan, of injuries sustained when his helicopter crashed during combat. He was 35 years old.

Chief Warrant Officer White's family remembers him as a wonderful man of God, an extraordinary husband, and a loving father to his three children. He was a respectful and courageous friend, who demonstrated those attributes in abundance as a successful officer.

After joining the Army in 1994, Chief Warrant Officer White grew in his career and attended warrant officer flight training in 2002. He fought bravely during two tours in Iraq and one in Afghanistan. Most recently, he served in support of Operation Enduring Freedom as a member of the 1st Battalion, 10th Aviation Regiment, 10th Aviation Combat Brigade, 10th Mountain Division based at Fort Drum, NY.

His bravery and outstanding service quickly won the recognition of his commanders. Chief Warrant Officer White earned, among other distinctions, the Bronze Star Medal, the Air Medal, the Army Commendation Medal, the Army Achievement Medal, the National Defense Service Medal with Bronze Service Star, the Afghanistan Campaign Medal with Bronze Service Star, the Iraq Campaign Medal with Bronze Service Star, and two Global War on Terrorism Service Medals.

Mark Twain once said, "The fear of death follows from the fear of life. A