about 16 percent of all income generated, but paid 47 percent of all tobacco taxes. Let me say it again. Families earning less than $30,000 pay 47 percent of all cigarette excise taxes.

The changes in the tax bill made last night will make the disparity among poor families even greater.

On average, low income persons pay 15 times more in tobacco taxes than upper income individuals.

And what was this tax increase on low income people going to be used for? To accelerate the increase in estate tax relief, which goes primarily to upper income individuals. This is a reverse-Robin Hood amendment. We are taxing the poor to help the wealthy.

The amendment will also reportedly be used to provide $8 billion in additional spending for health insurance. Just a couple of weeks ago we heard how this would violate the budget agreement. We voted 55 to 45 against an amendment that would raise taxes in order to raise spending on health insurance. Phone calls were made to the President of the United States to tell him how this would violate the budget agreement and how he better announce he was opposed to the amendment. Yet last night, some of the very same Senators who made those arguments on the floor a few weeks ago apparently voted in favor of a very similar amendment. How could it violate the budget agreement a few weeks ago and not now?

Last, Mr. President, the timing of this tax increase is most interesting. Later today we may hear an announcement of a ''global settlement'' of tobacco litigation. The agreement will require congressional action. As I understand it, this agreement completely fails to address the interests of tobacco farmers and factory workers, nearly all of whom are low to moderate income workers. But we will have that debate on another day.

What is interesting today, however, is the impact of that agreement on all these proposed cigarette tax increases. The tobacco settlement, if implemented, will have an immediate impact on prices, raising the price of a pack of cigarettes by somewhere in the neighborhood of a dollar. This, of course, will depress consumption—which in turn will reduce revenues by about 20 to 25 percent, or maybe even higher. So any proposals in the reconciliation bill to raise revenues by raising cigarette taxes will prove to be overly optimistic as soon as any global settlement is implemented. This means less revenue will actually be raised, and our deficit problems will be worse—particularly in the out years. So there is a great ripple effect as work here if these tax increase proposals succeed.

But last, Mr. President, let me return to my initial point. The tax package considered by the Finance Committee benefits upper income individuals too heavily. The cigarette tax adopted last night makes matters even worse, because it is primarily a tax on low income individuals. So not only do low income folks get virtually none of the tax breaks—but they will now get a tax increase.

I hope my colleagues who claim great concern for low income people will keep this in mind as they prepare to vote on the tax reconciliation bill. As for this Senator, I think a bad bill was made worse by the Finance Committee last night, and it is simply not a package I can support in its current form.

I yield the floor.

Mr. SPECTER addressed the Chair.

The PRESIDING OFFICER. The Senator from Pennsylvania.

AMERICANS DISABLED FOR ATTENDANT PROGRAMS TODAY

Mr. SPECTER. Mr. President, I have sought recognition today to discuss programs proposed by the Americans Disabled for Attendant Programs Today, a group known as ADAPT, that is working to help people who are disabled live normal lives.

There is a curious provision in the Medicaid laws, one of many curious provisions in the Medicaid laws, which does not permit people to live at home in community-based settings as opposed to being in nursing homes. I have sought to persuade the Secretary of Health and Human Services to change that program with a letter which I wrote to her on February 28, 1997, pointing out that ''it has been brought to my attention that considerable savings to the Medicaid Program could be achieved by redirecting long-term care funding toward community-based attendant services, and by requiring States to develop attendant service programs meeting national standards to assure that all people with disabilities have full access to such services and can live at home.''

When the Secretary came for a hearing, the question was propounded and the response has been that ''HHS is currently considering such programs as a policy option but has not yet put them into effect. The Robert Wood Johnson Foundation is funding a demonstration program that will be operational next year, and the Department is looking toward the results of that program before acting.''

It is my thought, Mr. President, that there is a clear-cut need for this kind of a program to be put into effect forthwith, and if the Department of Health and Human Services does not do so, then it may be necessary to enact legislation which would require the Department to act in that way. In the meantime, the appropriations subcommittee, which I chair, has increased the funding for the independent living program by some $2.1 million for a $74.6 million allocation this year.

I had occasion earlier this year to visit a group of people who are living at home and told them that I would display on the Senate floor their sweat shirts and send to them a video cassette. Sweat shirts are very popular these days. This one says, for those who might not be able to read it on C-SPAN2: ''Our Homes, Not Nursing Homes.'' Underneath the logo is ''ADAPT,'' which is Americans Disabled Attendant Programs Today.

They are a very courageous group. They are principally in wheelchairs, with very, very substantial disabilities, struggling to live independent lives and doing a great job at it. What they want is the flexibility to be able to live at home and to have home services.

I think this is another area where Medicaid ought to have a little flexibility, understanding the needs of people. One way or another, Mr. President, we intend to get there and reasonably soon.

(The remarks of Mr. SPECTER pertaining to the introduction of S. 943 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

(The remarks of Mr. SPECTER pertaining to the introduction of Senate Concurrent Resolution 34 are located in today's RECORD under ''Submissions of Concurrent and Senate Resolutions.'')

Mr. SPECTER. I thank the Chair. I note the absence of any other Senator seeking recognition and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. ENZI). Without objection, it is so ordered.

Mr. COVERDELL. Mr. President, I ask unanimous consent in the period of morning business, the following Senators be permitted to speak for up to the following periods of time: Senator MURKOWSKI, 30 minutes, and Senator COVERDELL or his designee for up to 60 minutes from the hour of 2 o'clock to 3 o'clock.

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

TAX RELIEF

Mr. COVERDELL. Mr. President, we are in the midst of a great deal of history in the 105th Congress. As most people now realize early out, the Congress, the leadership of the Congress and the President of the United States and his administration reached an agreement that they would work together to produce, finally, after well over a decade, tax relief, and that we would produce by the year 2002 a balanced budget which would, of course, by definition, produce constrained spending, and that we would take steps to protect the solvency of Medicare at least for upward to a decade, and begin to reduce spending in order to reach these balanced budget goals.

By and large, I believe the American people are pleased with the concept of this agreement. I suspect that not all of them realize that was only one step in a 1,000-mile journey, and that once those basic parameters had been established then you had to begin the business of having the committees of jurisdiction produce the actual legislation that would produce this effect.

Mr. President, this has been a long goal of the Republican majority of this Congress that came here in 1994, to produce balanced budgets and to produce tax relief for America's families and workers that we believe are under the most severe economic pressure in contemporary history. They are paying more taxes. An average family is paying higher taxes today than at any time in contemporary history.

This agreement comes in the context of a longstanding battle between this Congress and the President. I am going to take just a moment or two to remind us of the general milestones in that battle. In 1992, 5 years ago, when the President was first seeking election, he promised the American people, particularly the middle class, that he would lower their taxes, that if he were elected President, he was going to reduce the economic tax pressure on middle-class America. In August of 1993, in his first year of the Presidency, that promise to lower taxes became, in reality, the largest tax increase in American history. I repeat, the promise to lower taxes was fulfilled by raising taxes to the highest level in American history.

Then came the elections of 1994 and the American public said, ''Now, wait a minute here. We were told we were going to have tax relief, and our tax bill has gone up. We were told that American Government would shrink, and we just witnessed the single largest proposal to enlarge the Federal Government in American history.''

So we had the largest tax increase, which passed by one vote—that of the Vice President, seated in the very chair that the Presiding Officer occupies right now, and that was followed by a suggestion that we should expand the Federal Government to take over every aspect of health care, which was narrowly defeated.

So in 1994, the American public sent new leadership to the Congress, and they turned the Congress over after three decades of dominance by the other party, and they elected a new majority.

The new Congress, Mr. President, designed a balanced budget, reduced the size of the Federal Government, reduced Federal spending, and offered to lower taxes by the equivalent amount of money that the President had raised taxes. He raised taxes in 1993 by about $250 billion, and the new Congress came in and lowered taxes by $245 billion. So what it in effect was was a refund of that galloping tax increase that hit the American public in 1993.

That went to the President and the President took his pen and struck it down. He vetoed the tax relief, he vetoed the balanced budget, and he vetoed all the constraints that were represented in the balanced budget. Now, even though it was vetoed, it was a historic achievement because it was the first time in over 30 years that a Congress proved that it could, indeed, muster the courage and the muscle to pass a balanced budget and at the same time lower working families' taxes. But it was vetoed.

Now we have two major events that have occurred here—in 1993, taxes were raised to historical levels; in 1995, the Congress tries to refund that and the President vetoes it.

We have another election. The President is reelected and he is reelected under the theme: The era of big Government is over; the era of big Government is over. The Congress is reelected in the House and the Senate, the Congress that was committed to balanced budgets and tax relief. The leadership of this Congress and the newly elected President, for his second term, decided to sit down, and they had historical meetings, both in the Capitol and at the White House, and they announced a historical agreement that both will work for a balanced budget, for tax relief and constrained spending.

Last night, the Senate Finance Committee passed to the full floor of the Senate a proposal that honors the agreement for tax relief in the range of $135 billion. That tax relief is not enough, but keep in mind it is an agreement between an institution—the White House is not all that enamored with tax relief per the discussion we just had—and a Congress that would like it to be substantially more. At the end of the day, the proposal that will be coming to the Senate floor will be about a refund equivalent of about 40 percent of that tax increase that was put in place by the President in 1993. So it is very meaningful and very significant.

Just to remind the American public—no one can see this chart, but it goes from 1950 to 1997, and you can see the trend. The percentage of the Nation's wealth consumed by taxes has gone from 23.4 to almost 32 percent—up, up, up, and up.

This proposal that we will have coming before us is the first in well over a decade that would significantly lower that burden. A little later on in my remarks I will talk further about the condition of the average family, but we will take a moment and talk about some of the details of this tax relief. First of all, Mr. President, it is for kids. This is tax relief for children. The $500 per child tax credit will help parents—that is per child—will help parents meet the needs of children and teenagers. We figure teenagers probably have the highest economic impact on the family than even the real little ones, and that is the difference between us and the President. The President's proposal does not include tax relief for teenagers, but we do and this proposal does. So it is a $500 per child tax credit to help parents meet the needs of children and teenagers because parents can decide their children's needs better than Washington bureaucrats.

We are leaving the money in their checking account, not dragging it up here and then micromanaging it as to what is important in that family. Obviously, it is for the parents of these children. We make it easier in this tax relief for parents to afford their children's higher education by building on the President's Hope education proposal and improving it. We make it easier for parents to save and to invest for their own future by expanding IRA's and including a homemaker IRA that will help either mothers at home or working mothers.

This is a plan for the grandparents in their retirement years. Those who have worked hard and played by the rules and saved for retirement should be rewarded, not punished, as is the current law. Some say, on the other side of the aisle, you are rich—which is often characterized in an uncomplimentary fashion. I am also often amused by what is considered wealthy, and you do not have to have much to be targeted as being a wealthy person in America around this Washington establishment. On the other side of the aisle they say you are rich if you put money into mutual funds or contributed to a company retirement plan or built a small business with your own sweat and labor, or run your own farm. An average farmer would be categorized as rich, according to the other side of the aisle.

More than half of all taxpayers claiming capital gains have incomes under $50,000. I want to repeat that. More than half of all taxpayers who claim capital gains have incomes of less than $50,000, and most, or many, are seniors who live a better life by converting their lifelong investments. Over the years, as we have heard argument after argument against lowering the tax on capital gains, we have heard time and time again that that is just something for wealthy people; that is just something for rich people.

I repeat: More than half of all who claim capital gains earn less than $50,000 a year.

Mr. President, I have noted the arrival of the distinguished chairman of the Senate Budget Committee, who has played just a massive role in these agreements and has been following the details of their fulfillment in great detail. I yield up to 15 minutes of our time—unless he needs more—to the distinguished Senator from New Mexico.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. DOMENICI. First, I compliment Senator COVERDELL, so soon after completion of the tax package and deficit reduction package, for him being on the floor encouraging Senators to evaluate it and to speak out. I think it is fair to say that no one has had an opportunity to review, in detail, the tax bill that was written last night. Sometimes people confuse the Budget Committee with the Finance Committee.

The Finance Committee is the tax-writing committee. It has a lot of additional jurisdiction, including Medicare and Medicaid in the Senate. The Budget Committee does not write the laws. It writes the budget resolution. But we try our best to keep abreast of what is going on.

The reconciliation bills will be up next week, and there are some very technical rules about these bills. We will be careful to advise everyone on how to apply those technical rules and the way that is best to get the issues framed in the Senate and get the votes proceeding.

Today, I want to indicate that the package of tax cuts that the Finance Committee passed last night, from this Senator's standpoint, is a very exciting package. In the Finance Committee package, approximately 82 percent of the tax relief is made up of a family tax cut that we Republicans have been promoting for almost 5 years, and education assistance priorities, which we all share. Let me repeat that we are going to hear a lot about some of the other tax proposals in this bill. But our American citizens ought to understand that out of every dollar in tax reductions in this bill, no matter what is said about the remainder of the package, 82 percent of the tax relief is made up of the $500 child credit and education assistance in this bill.

It represents the biggest tax cut in 16 years.

Now, some complain that it is not big enough. The American people should know that, in our efforts to get a balanced budget put together, this is not a huge tax cut. In the first 5 years, it is around $85 billion. To put that into perspective, we spend about $1.6 billion every year. Our gross domestic product, the sum of all input into the economy, is well over $5 trillion, moving toward $6 trillion. So this is a tax cut that permits us to do some good things for the American taxpayers, and I repeat that approximately 82 percent of the package goes to families that are raising children; they get a tax cut of $500. We call it this fancy name, ''tax credit.'' But, essentially, a tax credit means that if you owed $5,000 in income taxes, you can take $500 off of that $5,000. There is no other way to say it than it is a tax cut. Most of it is for working men and women in America who are not particularly wealthy.

We are never going to be able to produce a tax cut package that some Senators—particularly on the other side of the aisle—are not going to moan about. They are going to moan that it goes to the wrong people. Well, some of them don't want a tax cut at all. Some just have to find something to make sure that the poor in the country believe that the other party is serving the poor better than we are. That is just too bad, because it is obvious in this American society, to most people that look at our economic situation, that we ought to be doing more on the capital formation side of this equation.

So while this bill is finally and firmly tax relief for middle-class families, it does include some relief from capital gains taxes, and for people with a home. It gives them a very generous $500,000 exclusion from capital gains tax for people who sell their house. But it also provides some capital gains relief for many millions of Americans who sell an asset, be it a few shares of stock, a piece of real estate, a family lot that they inherited from their parents, or stock on the stock market. And we have not gone wild with reference to this capital gains tax. It is a pretty reasonable one, considering that we don't have an awful lot of money to spend.

Obviously, no matter what is done with reference to death taxes, there will be some who complain that you ought not change death taxes, even though we haven't changed the basic exemption for many, many years. While inflation has built up, we have left it just like it was, and now millions of Americans—not a few hundred thousand—are looking out there saying that 50 to 55 percent of what they have accumulated on death is going to go to the Federal Government. We don't think that is exactly right—most of us—on our side. We think there ought to be much more concern about the energizing of society and this economy that comes with people who work hard because they want to accumulate wealth. We don't want to take that away by making the death tax so onerous. We haven't been able to change it very much in this bill, but there is some improvement. It will take 10 years to be fully implemented. Frankly, we will hear some more about that, too. It is obvious that it is easy to talk about that as if it were something bad for us to try to give some relief to these kinds of Americans who worked hard to build a business up, who have been smart and accurate on how they have done things. We are going to give them some tax relief. It is a small portion of this package. It is something we want to do. I am sure there are many Democrats that want to do this also, and I am quite sure something like the death tax relief in this bill is going to become law.

Now, let me repeat, this bill provides a $500 tax credit per child, beginning the day the child is born. By making changes in the order that the earned-income tax credit and new child credit are taken, the Finance package adds about 900,000 more children who will be eligible for this tax relief than the House version of this bill. I believe that this change that we now have a bill that we will not be accused of being unfair to a very large part of the working people in the country.

The earned-income tax credit—although it has been dramatically increased—was a Republican idea, incidentally, for those who wonder. Ronald Reagan was a staunch supporter of saying to those who want to work for a living that we want to encourage you to work, even though you are not making a lot of money. We want to discourage you from going on welfare by giving you this earned-income tax credit. So it is for working adults who are not earning enough in the eyes of Congress and past Presidents, and so we give them that earned-income tax credit.

When you look at the rest of this bill—at least the major components—the cost of a college education has increased 234 percent since 1980. The bill helps families save for college, helps students pay for college and pay back certain loans, helps employers pay for their employee's education, which many of us have thought for a long time is a very prudent thing to do. If you need more education in this society for better jobs and for the transition required in today's job market, if an employer wants to pay for it, we don't understand why the employer should not be able to deduct that and why the employer should be paying for that as if they earned money. So we are fixing that, to some extent. It includes tax relief for education assistance provided by the employer side, which I have just alluded to, and it helps employees maintain what many think is a new characteristic of American society, which is maintaining a lifelong learning opportunity.

It provides capital gains to help people generate more incentive to invest in U.S. companies that provide jobs and help grow this economy. One of the interesting things is that people can be in favor of jobs, but oftentimes it is very difficult to make the case that there are a lot of ways to create jobs, and they are not singularly—in fact, the worst way in terms of cost effectiveness is for the Government to provide programs that create jobs. We do that sometimes. In fact, in the bill before us, we are going to have a $3 billion, 5-year program on welfare jobs. Frankly, we agreed to it. I have very slim hope this initiative will succeed. But we agreed on some things that I did not believe in and this was one of them.

When you invest in capital formation and help American companies grow, they can build new modern plants, install efficient technology, you, as an investor and a citizen, are deserving of an accolade that you are helping create jobs. And so a capital gains tax cut should recognize that jobs were created and the country benefited from the investing and risk taking that the investor was willing to take.

Actually, the capital gains provisions are pretty good. Last night the committee partially corrected the discrimination against real estate—real estate that is depreciable, whether it is a building, whether it is an office storage, or an office building, we came very close to mistreating those investments. Thanks to some amendments last night, it is getting closer to at least a reasonable treatment of the gain that comes when you sell that kind of an asset. It won't be the same as the other asset sales, be it stock equity or your home, or other things, but we are moving in the right direction.

So I am pleased that the Senate bill treats capital gains investment on real estate better than the House bill. I hope we keep that. It lowers the recapture rate to 24 percent. I actually believe that, in due course, it ought to be the same as the overall capital gains rate. I know my friend from Georgia agrees with that. You only have so much money to go around and you can't do everything.

Now, I understand that one of the things we have problems with in our country—and I don't stand here saying that the IRA's in this bill are going to solve it. But America is now becoming known, worldwide, as the country that doesn't save. We love to spend, but we don't like to save. We are very fortunate that, for the last 15 or 20 years, or so, our credit has been so great, and our economy so stable, and the country so stable, that a lot of foreign money flows into America to pay our debts.

But essentially, so long as we run big deficits—and hopefully we are putting a stop to that—and so long as the American people do not save otherwise, we are still going to be the world's largest borrower and the world's worst saver; that is, as a people and as business and as Government goes.

On the other hand, we are moving in the right direction. I for one think that we ought to have universally IRA's. But we are not going to get there until we totally reform the Tax Code. But there are some powerful IRA provisions in this package. I am not sure that all of them will stay through conference, and I am not sure that some won't be attacked here on the floor. But, nonetheless, the idea of doing something to encourage savings by middle-income Americans instead of just those who are at the top of the ladder is very exciting to me. Countries with the highest saving rates are moving in the direction of greatest economic growth. Greater economic growth translates into better jobs, bigger paychecks and higher standards of living. For the higher the savings rate—Japan has a high savings rate—some people say, ''Well, they don't do it voluntarily.'' It is almost mandated by their government. But at least they do, and the government almost tells them how much of their paycheck has to go into savings.

Some of the other countries in the Pacific rim have great savings prospects for their people. We have to do better. And we will be doing better, if this bill becomes law.

I alluded earlier to the death tax, and I am not going to say much more about that.

But I do want to comment that I wish today I could tell people of New Mexico—and I wish everybody could know in their States—the exact impact of this tax bill on their States and their constituents. I understand, however, that the Tax Foundation has done that for the House bill.

So, if you want to know what the House bill has done in terms of the citizens of your sovereign States, you can get that. It looks to me from what I can discern in terms of my State of New Mexico that the tax relief numbers attributable to the people of my State from the Ways and Means bill are worthy of stating because I think the final package will result in bigger tax cuts for New Mexicans. I think the Senate Finance package will result in bigger tax cuts than the Ways and Means package. So I will be able to say to New Mexicans that we are going to do at least this and probably better.

Let me just recite to show how important it is to a small State like mine. New Mexicans will save $388 million over 5 years because of the child credit in the House bill. New Mexicans will have $388 million of their own money to spend on their families as a result of this tax package. We are doing a little better under the Senate version.

It is common knowledge that, if you look at New Mexico you discover that we have a lot of children in the families of the working poor. So I would assume for the working people who pay taxes that my State will get a higher benefit as a result of the ways the Finance Committee ''stacked'' the earned income and new child credit. That is a pretty good chunk of money that will stay in New Mexico rather than coming to Washington because of the $500 credit. That makes it kind of understandable. Mr. President, $338 million-plus will never leave our taxpayers' pockets in New Mexico and come to Washington. It will stay there.

Mr. President, New Mexicans will also save $229 million in additional dollars of their own money to spend on education for their children.

There are a couple of glitches in the bill. There will be a big debate about should there be an IRA for education after the 13th year or 14th year. But when it is all taken into account the House bill has $229 million that will stay with New Mexico families to use on education that they would otherwise send to Washington for us to determine how to spend it. And, obviously, we are very convinced on this side of the aisle that both the child credit, the education-type deductibles, and the like are better determined there in my home State—and the Senator's State of Georgia by his people, and our people. So as much of that as we can leave there the better we feel and the better we think the lives of our people will be.

So while this bill has a road ahead of it that may be thorny and may be contentious—I am not speaking only of the tax bill—I believe it is not too soon to come here and say, ''Well, this is what I am going to try.'' There will be some additional spending money on child health care. And I know that. I have an open mind. I want to hear the committee talk about it and report on it. I am of the opinion—and I know it doesn't set well with some States—but I think the cigarette tax portion of it was inevitable. We could see that coming. And I think the committee took 20 cents instead of 43 cents, which was proposed by Senator KENNEDY and Senator HATCH, or Senator HATCH and Senator KENNEDY. And then it used that money for very good purposes, I think, of the bill. It spent some. And that is why many would like it all to have gone for tax cuts.

But, you know, the bill came out with total bipartisan support. And I am not sure we need total bipartisan support on every major measure as it goes through the Senate. But I believe we started this budget exercise with a strong suggestion that we might get the package adopted. Frankly, that was because we recognized that the President was not of our party and that we had to work with Democrats here in an effort to get something that the President would sign. There is no use going through another process as in 1993 where Democrats just passed a huge tax increase or 1995 where just Republicans voted for an enormous tax reduction plan with reforms in every area only to find that it would get vetoed.

The reality of it is—and Republicans are beginning to understand—that we have a President who is not of our party. He is the President. If we want to make a point, we can make a point. When we want to get something done, it is pretty obvious that we have to have him as a part in getting it done as a team.

So I am hopeful. We are moving in that direction.

I thank the Senator for arranging the time.

I yield the floor.

Mr. COVERDELL addressed the Chair.

The PRESIDING OFFICER. The Senator from Georgia.

Mr. COVERDELL. Mr. President, I thank the Senator from New Mexico for, as usual, his eloquent description of this proposal.

I would make one comment. And then I am going to yield to the distinguished Senator from Utah.

When you talk about savings, in my judgment, the force that has more to do with destroying savings is Uncle Sam. When something marches through an average person's checking account and takes over half, as they do today—a 45-percent tax is the cost of Government, and higher interest rates because of the deficit—there isn't anything left to save in an average family. You can look at every data and see exactly what has happened as we ratchet up the amount that the Government takes out of that checking account. We closed savings accounts all over the country. Until we start moving resources, as the Senator described, for New Mexico back into their savings accounts, we are never going to have them open savings accounts.

Mr. DOMENICI. The Senator should also add that as the deficit turns into debt—that is the accumulation of the deficit, the debt—you have to go out and borrow that money. And essentially that is not saving. To the extent that you have to go borrow the money, you have to get it from somewhere. And our biggest activity for not saving has been the deficit. It gobbles it up, and it isn't available. It is used for that, if nothing else, plus the fact that high taxes prevent you from being able to have any left over, which is your premise here today. We are not in the greatest shape in just that one area. The economy looks pretty good. It looks like we are moving in the right direction in how we treat our American business. It seems like they have a little more freedom than European companies. We find that they do better for us and better for workers that way. That is better than most countries. But saving is still something that we are working very hard on. If we can get the deficit down to zero, we are surely moving in the direction of putting more savings into the total pot of savings for growth, prosperity, and other uses.

I yield the floor.

Mr. COVERDELL. I thank the Senator from New Mexico.

I yield up to 10 or 12 minutes to the Senator from Utah, or, if he needs 15, I will yield that as well.

Mr. BENNETT. I thank the Senator from Georgia.

The PRESIDING OFFICER. The Senator from Utah.

Mr. BENNETT. Mr. President, I have come here because I have seen a series of articles that have appeared in the newspapers. I am not a believer in a conspiracy theory. But I think there is a movement afoot to give us a steady drumbeat of repetition of a particular theme coming out of those who are opposed to any kind of tax relief. And I picked two examples to show what this drumbeat is.

The first one appeared in the Washington Post, written by Alan Blinder. Alan Blinder, Mr. President, used to be the Vice Chairman of the Federal Reserve Board. He is now a professor of economics at Princeton.

He starts his presentation this way:

> I have always opposed cutting the capital gains tax, and still do. The case is simple and compelling. No one has yet produced evidence that lower capital gains taxes will lead to higher savings and investment; claims that they are just hunches. But we do know that a lower capital gains tax will shift some of the tax burden from the haves to the have-nots just when income disparities are at postwar highs.

Then he goes on to say how terrible the capital gains tax rate is and laments the fact that he and others like him have lost the debate.

A few days later Robert Kuttner wrote the following, again in the Washington Post. I would tell you who Robert Kuttner is, if I knew. But I am not as familiar with him as I am Alan Blinder.

He says, referring to capital gains tax:

> . . . with the stock market setting new records, the timing is a bit off.
>
> It's hard to argue with a straight face that the prospect of paying capital gains tax is deterring much productive investment.

Again, another drumbeat along the idea that cutting the capital gains tax is really nothing more than a way of putting more money into the pockets of the rich—that it will not increase investment, that it will not increase savings. Those who say that it will are ignoring the economic evidence. And these economists make this case over and over again. I submit to you, Mr. President, that they are shooting at a straw man. Either they do not understand the impact of capital gains taxes in the economy, or they don't want us to know what capital gains taxes really do to the economy because I am not going to stand here and argue with Professor Blinder on his turf. I want to take him to my turf, which is the marketplace. I want to take him to the marketplace where real people make real economic decisions in real life, and not the classroom where people argue about it.

Let's start out with a little bit of classroom conversation, however, to set the context for this. I submit to you this truth, Mr. President: All wealth comes from accumulated capital.

If someone somewhere does not stop spending everything he creates in the way of product and saves some of it, accumulates some of it, there will never be any wealth. Out of accumulated capital comes factories. Out of accumulated capital comes machine tools. Out of accumulated capital comes the infrastructure that then produces more wealth.

The argument in society in the last century or so has not been over that truth. It has been over the question of who should own the accumulated wealth.

Karl Marx, and others, said that society as a whole should accumulate wealth but that individuals should not. We have already seen one society give us an example of what happens when society holds all of the accumulated wealth and does not allow individual property accumulation. That example was called the Soviet Union, and it is the premier economic basket case of this century. It has wreaked absolute havoc in the lives of all of its people.

Still the notion that society should own accumulated wealth has some currency in the world, and there are those who call themselves Socialists based on their notion that society should own everything and that the wealth should be accumulated by society. We have a different notion in this country. We go back to the writings of Adam Smith, who coincidentally wrote his book, ''The Wealth Of Nations'' in 1776, which was a good year for this country: The wealth should be held in private hands, that when private people accumulate wealth, they do better things with it than when society as a whole accumulates wealth.

Why is this important? Because the capital gains tax is a tax on movement of accumulated wealth. It is not a tax on the wealth itself, it is only a tax that is levied when there is a movement of that wealth from one entity to another; or, in our circumstance, from one individual to another, one private corporation to another private corporation.

I now give you the second great truth that applies in the marketplace. All wealth comes from risk-taking. If someone is not willing to take a risk and invest his or her accumulated wealth in that factory or that machine tool or that plow, with no guarantees that the investment is going to pay off, the wealth that comes from the factory or the machine tool or the plow will never be there. So these two principles guide what we are doing: All wealth comes from accumulated capital and all wealth comes from risk-taking.

So, what happens when a private individual or corporation accumulates some wealth, accumulates some capital, takes some risk and creates some wealth, and then decides to move that from one investment to another? The Government steps in and says we will tax that movement. That is what the capital gains tax is all about. We will tax the movement of accumulated capital from one investment to another.

This is what happens—real example, real world, not classroom stuff now. I will give you an example of a friend of mine who invested at great risk in a new venture. He is that kind of fellow. He is an entrepreneur. He takes risks. I'll keep the numbers very simple. Obviously there are more accounting details to this, but the illustration is accurate. He made, let us say, $100,000, and to keep it simple let's rule out the tax base. Let's say he has a cost of zero. In fact it was not that, but a gain of $100,000.

So now he has $100,000 of accumulated wealth, but what has happened to his investment? Over the years that it has grown from zero to $100,000, it has become what we call a mature investment. That is, it is now earning 10 percent a year and that's about the prospect for this investment from now on. And this guy, because he is an entrepreneur, is restless with a 10 percent return. He wants to take some bigger risks and do some other things with his money. He sees an opportunity over here that will produce him a 20 percent return. Yes, it has a risk. He is willing to take the risk. He is willing to move his accumulated capital from company A to company B. And the Feds step in and say, ''We want 28 percent of that, or $28,000.'' And the States, of course, follow right along. He is going to end up, moving his capital from company A to company B, with $65,000 worth of accumulated capital instead of $100,000.

Now, if he earns a 20 percent return on $65,000, for 3 years he will not even break even, back up to his $100,000 where he was. And the $100,000, if he had left it alone, would have earned an additional $30,000. He has to earn a 20 percent return on his $65,000 investment for 5 years just to get even with where he would be if he had left his capital alone.

Well, you say, so what? This is a rich man, he has $100,000; why are you concerned about him? I am concerned—not about him. He can take care of himself just fine. I am concerned about the people in company B who will not get jobs because they cannot attract investors. Why can't they attract investors? Because the entrepreneurs have their money locked up in the investment that only earns 10 percent.

He can find somebody who can buy investment A very easily. There are lots of people to say we would be satisfied with a 10 percent return in a mature company, absolutely. We will buy your stake and let you go out and run the risk to do something else. But, no, the capital, by virtue of the capital gains tax, is locked into investment A, because the entrepreneur says I can't afford the tax hit to move my investment capital from investment A to investment B. Therefore, I will not be backing the new rising company that needs funds.

These people whom I quoted at the beginning say the stock market is going through the roof, and what do they offer as proof of that? The Dow Jones averages. How many people understand the Dow Jones averages are derived from 30 stocks? The Dow Jones Corp. picks 30 companies, baskets them together into a single average, and what happens to the prices of those 30 stocks is described as what is happening to the market as a whole. Yes, they are probably doing a pretty good job of picking some representative stocks, but understand they have only picked 30 companies. The Standard & Poor's index has 500 companies in it, and you know what? It's not going up quite as much as the Dow. Then there is the little known, little followed stock index called the Russell 2000, and as the name indicates, it has 2,000 stocks. But none of the Russell 2,000 stocks are in the Standard & Poor's 500 or even in the Dow 30. These are the new entrepreneurial companies where the jobs for the next decade are going to be created. Do you know what is the story in the Russell index? It is down. It is not up the way the Dow is. It is not up the way the Standard & Poor's is. It is down.

These little companies, struggling along, entrepreneurial efforts, need money. Where are they going to get the investment? Are they going to get it from the big venture capitalists who like to back them? Maybe, if they can make their presentation. But they will find, time and again, that the venture capitalists who would otherwise be taken with their presentation and give them backing will say to them, ''I'm sorry, I am locked in by the capital gains tax. I am locked in with an investment that would cost me so much in tax, if I were to sell and back you, that I will not make that money available to you.'' I have personally seen this phenomenon take place. I have been present when discussions of this have gone on, and I know, very differently from the way it may appear in a classroom, that in the real market the capital gains tax at its present level is stopping entrepreneurs from moving their capital from one investment to the other and making capital available to the entrepreneurial companies that would create the jobs of the future.

I said on this floor before and I repeat here again, I challenge every Member of this body to go home to his or her home State, gather the venture capitalists in the home State together, gather the real estate investors, if you will, in the home State together, and ask this one question: Are there deals that should be done not being done because of the capital gains tax? I have asked that question in my home State and I am told, almost with a laugh: All over, Senator. Everywhere you look there are deals that should be done, certainly could be done, but are not being done because of the capital gains tax.

Now, ask this question: Are the deals that should be done the deals that have the greatest potential for job creation in the future? And the answer is, once again: Yes. So then I ask the question: What is going on? And I am told, look, Senator, there are so many cockamamie trade-outs being done, ways to avoid a realization of any kind of a gain that are being put together by lawyers and accountants because they want to back this in one way or another but they cannot take the hit that will come if they move their capital from investment A to investment B, so they are jerry-rigging all kinds of deals that will ultimately rise up and bite them in ways that will be detrimental.

I started off by quoting Alan Blinder, with whom I disagree, and identifying him as a former Vice Chairman of the Federal Reserve Board. I close by quoting the Chairman of the Federal Reserve Board, Alan Greenspan. Alan Greenspan has a reputation of his own. He has a reputation that has brought him praise from Members of this body on both sides of the aisle. I have sat in the Banking Committee and on the Joint Economic Committee and heard my Democratic colleagues congratulate Mr. Greenspan for the deft and intelligent way he has handled monetary policy in this country.

Mr. Greenspan tells us what the capital gains tax rate ought to be for the greatest benefit of the economy. He recommends a capital gains tax rate, not of 18 percent, as proposed out of the Finance Committee, not of 14 percent, as proposed by the Dole campaign, but zero. Because he understands the basic principles that I outlined in the beginning: All wealth comes from the process of investing accumulated capital and all wealth comes from risk-taking with that capital. The capital gains tax is a tax on that process. The capital gains tax by definition is a tax that will hold down the creation of wealth.

Alan Greenspan understands that the greatest boon that can come for this country is the creation of more and more wealth and that is why he calls for a capital gains tax rate of zero. I think we are being very modest when we call for a capital gains tax rate of 18 percent. I hope those responsible for these articles and these comments in the Washington Post would go back to school at the feet of Professor Greenspan and learn again where wealth comes from and what we need to do in the Government to foster its creation.

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

The PRESIDING OFFICER (Mr. COVERDELL). Will the Senator from Utah withhold?

Mr. BENNETT. I withdraw my request.

The PRESIDING OFFICER. The Senator from Wyoming.

Mr. ENZI. Mr. President, on behalf of the present occupant of the chair, I will yield myself 10 minutes and also ask unanimous consent the order be extended by the same amount.

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

The Chair recognizes the Senator from Wyoming.

Mr. ENZI. Mr. President, I congratulate you and thank you for providing this opportunity for us to talk a little bit today about taxes to our colleagues and to the American people. I do rise in support of the tax reform proposals that have been offered by the Republican Congress. Yesterday I presided over the Senate for an hour and listened to an hour of Republican bashing on taxes. I am here today to proudly say that if it were not for Republicans in this body, we would not be debating tax cuts for the American people at all. We would only be talking about increased spending—not increased spending that the American people helps to decide on, just increased spending. And increased spending leads to increased taxes.

So, I am proud to be working on a tax cut proposal for this Congress. The American people have not received serious tax relief for 16 years. Earlier this year I had the pleasure of chairing a committee hearing in Wyoming on small business. One of the groups that appeared there was the Society of CPA's. They asked for tax simplification and tax cuts for the American people.

You might say that's kind of a strange bunch to want tax simplification, but I have to tell you it is so complicated that their liability is hanging out. It is difficult for them to meet the needs of the people. If you call the Internal Revenue Service on successive days with a tax question, you will most likely get different answers on that tax question. But they were reluctant to ask for the simplification because every time they have worked on simplification in this country, we have wound up with tax increases. That is one of the things we are here to guard against, is tax increases. And we are proposing a tax package that provides for nearly $85 billion in net tax cuts over the next 5 years. It is the first step in providing the American people with the tax relief they so richly deserve.

This tax package provides broad-based tax relief for America's families. This is just the first step toward peeling back the monumental tax hike passed by the Democratic Congress and President Clinton in 1993.

It should come as no surprise that the administration and many of my colleagues on the other side of the aisle began bashing the Republican's tax proposal almost as soon as it was unveiled.

A brief review of the last 5 years illustrates that this administration believes that a bloated Federal Government knows better how to spend your money than you do. President Clinton's tax hike in 1993 punished the American people by burdening them with more than $240 billion—billion—in new taxes. The President's tax increase was the largest in American history and it came after—after—the President had promised that he would offer middle-class tax relief. The Republican tax package would give Americans back some of the hard-earned money that was taken from them 4 years ago.

We in Washington must never forget that we are talking about the people's money. As an accountant—and I am the only accountant in the U.S. Senate, which I like to humorously say probably accounts for the difficulty in getting tax cuts and balanced budgets—I hear people talk about how happy they are that the Government gave them a tax refund this year. I have to remind some of them that that wasn't the Government giving them a tax refund, that was them overpaying their taxes, the already overexorbitant taxes overpaid, and they were getting back their own money. We get confused, particularly in Washington, and we have to remember that we are talking about the people's money.

Some of my friends on the other side of the aisle seem to have forgotten this. They apparently believe it is the job of the Federal Government to take as much money away from the private citizens as they possibly can and then set themselves up as a ''committee of Government'' who divides that money up to take care of everyone as they see fit.

Mr. President, this is wrong. We should allow citizens to keep more of their own money and make their own decisions on how it should be spent. Government often purports to know more about our own needs than we do. But you know best how to spend your own money. History has demonstrated that the American people will use their money more wisely and more efficiently than we in Congress will. While they are doing that, they will be very compassionate, as well as constructive.

The Republican tax package is aimed at providing broad-based tax relief for the majority of the American people. The $500-per-child tax credit would provide $81 billion in tax relief for America's families over the next 5 years. This idea has been championed by the Republican Party as a means of helping America's families. The President thought it was such a good idea that he has even campaigned on it.

Many families today have two parents working: one of them works to pay the bills, the other one works to pay the taxes. We should be working to strengthen our American families in any way that we can. Taxes are our tax policy, and we should be disappointed and embarrassed by what our tax policy says. We should not be strangling American families with a punitive Tax Code that penalizes marriages. It provides very little tax relief for families with children. It punishes people with a further tax on interest income when they try to save for their kids' college educations or for their own retirement. To add insult to injury, we even tax people when they die.

We kind of have this tax policy in the United States that if it moves, you tax it, and if it won't move, you tax it; when you buy it, you tax it; when you sell it, you tax it; and if you happen to die owning something, we're going to tax half of that, too.

I listened to much of the debate yesterday by my colleagues on the other side of the aisle who claim this is a tax cut for the wealthy. This claim has absolutely no basis in fact unless you play with statistics. I watched the charts yesterday. We should have truth in advertising on the Senate floor. We saw charts that indicated that people earning $30,000 a year would only get a $50-a-year tax credit. That is playing with the truth. They said that people who earned $400,000 would get $7,000 in tax relief. That is also lying with statistics.

Take the $500 tax credit all by itself. If you earn $30,000 and you have kids, you would get a tax credit of $500 per child, and as I heard so eloquently explained earlier by my colleague from New Mexico, that is a tax credit. That means you don't take it off the income part of your tax statement, you take it off the taxes that you owe. You get to fill it out clear down to the balance first, and that is where you get the biggest tax cut. You figure your tax bill, and then you get to subtract from your tax bill this $500-per-child tax credit.

I assure you that people who are earning $30,000, as most of you know, pay taxes, and if you pay taxes and you have kids, you get the tax credit, you get a $500-a-year credit for that child. That is quite a bit bigger than the $50 that was claimed here yesterday.

If you take and lump everybody together, there are a whole bunch of people who are earning money who are not even married yet and don't have kids. They are looking forward to that tax credit, but they are not earning it. If you combine all of those, maybe you can get it down to an average of $50 per person who pays taxes in the $30,000 tax bracket. I would like to see a lot more detail on the kind of charts that we saw.

We did pass welfare reform. That was the American people saying that we do expect people in this country to work and pay taxes. The credit would not go to people who do not pay taxes. We are not going to pay people not to work. What we are talking about here is the ability of the people in the United States to still enjoy the American dream. The American dream of owning their own home, their own car, to be able to be an entrepreneur; have an idea, go out and start a business and have that business grow into one of the biggest in the country. When they start that business, they are hoping that they can be doing it for their kids as well; that there will be money that can go to their kids.

They are hoping to be able to pass some money on to the next generation. They are worried about their kids. I know a lot of people who have homesteaded in the West and spent every dime that they have earned off their farm or ranch to buy more land so that they would have land to pass on to their kids. Something interesting is happening out in the West, and that is, a whole bunch of people are moving into Wyoming from other States, and they are willing to pay a lot more for land than what the cows will produce on the land. The price of land has been increasing greatly. That is what they have to pay an inheritance on. They are taking away their ability to pass it on to their kids, a way of life, a way their kids anticipated earning money.

I saw a program the other night about the new millionaires. Millionaires, we consider them to be rich. I can tell you—not from personal experience I can't—but from looking at people's returns, today's millionaires are not nearly as rich as years-ago millionaires. It is happening today, and the way it is happening is people who are working on assembly lines or in small business are taking a little bit of money out of their check—I know it is difficult to do—but they are taking that money and investing it, and when they get to retirement age, some are now finding because of these investments they have been doing for years and years, the business has been successful enough, they worked hard enough at their job to make that business successful, that the stock they bought is worth over $1 million. And then they die just at the time they get to their retirement, and the Federal Government says your kids aren't entitled to that, even though you worked for it for yourself and your kids all of that time. We, the Federal Government, are entitled to almost half of that money. We didn't do anything to help it, but we get it.

The fact is that the overwhelming majority of the tax cut contained in the Senate's tax package go to middle-income families. According to the Joint Committee on Taxation, which is Congress' official tax estimator, 74 percent of the benefits of the tax relief bill will go to individuals and families making $75,000 or less. Moreover, 82 percent of the benefits would go to families with educational needs, these middle-income families who were hardest hit by the Democrats' radical tax hike in 1993, and this is the group that is in most need of serious tax relief.

What many of my colleagues on the other side of the aisle really want to return to is welfare. They want to raise the taxes on people who are now paying taxes to give more money to those who aren't paying any taxes at all. That is not tax relief, it is welfare. Moreover, the budget proposal already provides for $1 2/10 trillion in spending for the next 5 years. The tax proposal would be a good first step in allowing families and small businesses and those who save to keep more of their own.

We need to get beyond the misstatements and distortions and give the American people meaningful tax relief. As we prepare for the debate on the tax package next week, I ask my colleagues to join me in this endeavor.

I thank the Chair and yield the floor.

The PRESIDING OFFICER. The Chair recognizes the Senator from Alaska.

Mr. MURKOWSKI. I thank the Chair and wish the Chair a good afternoon.

THE 20TH ANNIVERSARY OF THE TRANS-ALASKA PIPELINE

Mr. MURKOWSKI. Mr. President, I advise my colleagues that 20 years ago today, a truly historic event occurred in my State of Alaska that had much to do with the shaping of the character of our State probably as much as the majestic and unique parts of our State, whether it be in the mountains or glaciers.

On June 20, 1977, at 10:06 a.m. at Prudhoe Bay, AK, the crude oil discovered on the North Slope 9 years earlier began to flow. It began its journey south some 800 miles to the ice-free port of Valdez through the Trans-Alaska pipeline. That first trip, which now takes about 5 days for the oil to move, took over 1 month to complete and marked the culmination of the largest private construction project ever undertaken in the history of North America.

Since that time, every citizen has benefited from this marvel of American engineering, but few really understand how significant this feat was and how much it has contributed to our Nation. The pipeline took 3 years of construction.

The total cost was about $8 billion. The initial estimate was just under $1 billion. However, in today's dollars, that would equate to about $22 to $25 billion. It was truly a marvel, one of the engineering wonders of the world. It took 2,215 State and Federal permits to proceed. Today, it is estimated to take over 5,000. Approximately 70,000 people were used as a work force; over 3 million tons of materials were shipped to Alaska for construction; 73 million cubic yards of gravel were used; 13 bridges, ranging from 177 feet to 2,295 feet had to be constructed going across the Yukon River; 834 rivers were crossed; three mountain ranges as well.

Since that time, Mr. President, that pipeline has been subject to earthquakes, it has been subject to bombing, dynamite has been wrapped around it, it has been shot at so many times too numerous to count—but it has withstood those rigors of Mother Nature as well as mankind.

While there was a terrible accident associated with the grounding of the *Exxon Valdez*, which was of course due to negligence on behalf of those who were operating that vessel, the Prince William Sound is cleaned up today, and it is continuing its contributions as one of the most productive bodies of water on Earth. From the standpoint of the renewability of the fisheries and marine resources of the area—I do not mean to belittle the significance of that tragedy—but Mother Nature has a way of cleansing, and it was helped by a good deal of funding, commitment and expertise from Alaskans and those outside. But the fact remains, this pipeline continues to contribute a great deal to the economy of this country.

Certainly much of the permitting process, and to a large degree the continuity of maintaining quality and environmental concerns, are a responsibility of the Federal Government as well as the State government which watched over the construction and the operation and made sure it was done responsibly. But those groups did not stand in the way of construction.

Since the pipeline first flowed on June 20, 1977, the pipeline has produced and provided the United States with over 25 percent of the domestic crude oil produced in the United States and about 10 percent of total U.S. daily consumption of crude oil, to give you some idea of the significance of this particular and unique all-American pipeline.

So, as a consequence, as we look at our situation today, this pipeline has contributed significantly to U.S. energy independence and, I might add, energy independence that is in serious jeopardy.

Consider this for just a moment, Mr. President. In 1994, domestic flow production dropped to 6.6 million barrels a day, the lowest since 1954. National demand has increased to more than 17.7 million barrels per day, the highest level since the mid-1970's. The United States imported 51 percent of its oil in 1994. Today, we are importing a little over 52 percent, but according to the Department of Energy, U.S. dependence on foreign oil is expected to rise to nearly 70 percent by the year 2000.

If not for the trans-Alaska pipeline, we might have already reached 70 percent imported oil. How much higher would our gasoline prices be without that pipeline? How much more likely would we be putting our children and grandchildren in harm's way on foreign soil to protect our domestic interests if we were importing more than 70 percent of our oil? Because, make no mistake about it, Mr. President, the Persian Gulf conflict was about keeping the flow of oil for the benefit of the world.

We have always had an environmental concern over the pipeline. It was predicted that this pipeline, going through permafrost, which is frozen ground, and being a hot pipeline carrying warm oil, would cause heat generation and melt the permafrost, and, therefore, the pipeline would continually go further and further down, to fulfill perhaps a self-propelling prophecy that was suggested it would end up in China some day. Didn't we always know as kids, if you went down far enough, you would end up in China? Well, clearly that has not happened, Mr. President.

The pipeline operates in permafrost. The hot oil flows through the pipeline, but the pipeline was clearly engineered to withstand that. It was suggested that this pipeline across 800 miles of Alaska would cause the animals, the wildlife associated with it, be it the polar bear, the grizzly bear, the brown bear, the black bear, the caribou, or the moose, to somehow have a fence they could not cross. The facts are, at the pipeline and the buried sections, the animals browse on it in the early spring because the small amount of heat generated causes the grasses to come up first, and it has become a sight and attraction. We see the caribou in their migration standing on top of the buried pipeline because there is more wind there and there are less opportunities for mosquitoes. So to suggest that it has somehow restricted the natural flow of wildlife certainly has not occurred.

One can bottom line it and simply say the predictions of the environmental groups who said this was going to be some kind of environmental disaster have not occurred. It has been successful. It has done its job, and continues.

To suggest it has not had its share of problems or there have not been mechanical failures and there have not been human failures—of course there have. I have always supported stringent oversight of the pipeline. We have been working with the Joint Pipeline Office and the Department of Transportation, and the effort has been successful.

But every now and then we find opponents of development in Alaska who are looking for a cause, the cause of membership or cause of dollars or perhaps they bring up some of the young attorneys from Harvard or Brown to do