The JCT and CBO estimates now appear to have dramatically underestimated the strength of the economy and the positive response to the tax rate cut.

The JCT forecast last July that capital gains revenue for 1998 would be $57 billion after the rate cut.

Again, this is reflected here on the chart projecting a much lower impact, actually a loss that we will end up with. In the shaded area over here with the lines drawn we see a dramatic increase in revenue that happened to the Federal Government, just contrary to what our ‘‘budgeteers’’ were projecting when we initiated the capital gains reduction in rate.

Recently, I contacted the CBO and JCT to determine how the forecast was holding up.

The Congressional Budget Office is now anticipating that both the 1997 and 1998 capital gains realizations will be much higher than previously thought.

It is therefore reasonable to assume that even with a lower tax rate, capital gains tax revenues for 1997 and 1998 will be a good deal higher than previously forecast.

The irony here is that the entire 10 year revenue loss that was forecast may be made up for in the first several years of the rate cut.

Once again, we will have a situation where a tax rate cut leads to greater revenues.

Mr. President, what does all this tell us?

In my view, a review of the last twenty years of capital gains tax rates and the associated revenues suggests that the model used by JCT and CBO to estimate capital gains revenues is flawed.

At minimum, it would appear that when tax rates are lowered the model significantly exaggerates the revenues losses.

In fact, in no single year after a rate cut has there ever been a loss of revenue.

Conversely, when tax rates are increased, the model significantly exaggerates the level of revenue gains.

Not only do the Congressional models fail to accurately measure the response of taxpayers to changes in tax rates, they completely exclude any estimate of the impact of tax changes on economic performance.

Mr. President, up to this point we have only been discussing the short term behavioral changes that come from changes in the capital gains tax rate.

What about the longer term impact on economic growth? Congress is largely in the dark when it comes to any estimate of this benefit.

It is logical to assume that a lower tax rate on capital encourages capital formation. A higher rate of capital formation clearly benefits the economy. As a consequence the federal government will realize greater income, payroll, and excise taxes. In addition, state and local tax revenues will also rise.

Admittedly, all of this is difficult to measure. However, I would like to see some attempt made to include these factors in revenue models.

At a minimum they should be appended to the official revenue estimates. This would give Congress a more complete picture of the impact of tax changes on revenues.

As I review the issue of capital gains tax revenues I am struck by several things.

First, capital gains tax rate cuts do not appear to cost the government revenue, and may in fact increase revenue rather dramatically.

Second, the current revenue estimating model should be updated to reflect evidence that the model exaggerates losses from rate cuts, and also exaggerates the gains from tax rate hikes.

In addition, some attempt should be made to measure the impact of tax changes on the level of economic performance.

Third, less emphasis should be placed on the revenue models.

Instead, greater emphasis should be placed on the impact that changes in the tax treatment of capital gains will have on the private economy.

Economic growth, job creation, and international competitiveness should be our focus, not projections of government revenue.

This is particularly true when we know that the revenue projections are not likely to be terribly accurate.

This is not intended as a criticism of those whose job it is to make the estimates. This is difficult work. I certainly recognize this having served on the House Budget Committee for several years. And those who do the work are professionals who work hard at getting it right.

Unfortunately, this business is a bit like gazing into a crystal ball. There are just too many factors at work to think we can accurately project the revenue impact of changes in capital gains tax policy.

Mr. President, when it comes to capital gains taxes I suggest that Congress spend less time gazing into the crystal ball of revenue forecasting, and more time focusing on the real world impact of taxes on capital formation, job creation, and economic growth.

I think it will then be abundantly clear that we should continue to reduce the tax on capital to 14 percent. This will continue the good work that we began last year.

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

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

PRIVILEGE OF THE FLOOR

Mr. SMITH of Oregon. I also ask unanimous consent that my assistant, Lourdes Agosto, be allowed floor privileges while I give this speech.

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

Mr. SMITH of Oregon. I thank the Chair.

(The remarks of Mr. SMITH of Oregon pertaining to the introduction of S. 2079 are located in today's RECORD under ‘‘Statements on Introduced Bills and Joint Resolutions.’’)

Mr. SMITH of Oregon. Mr. President, I thank you for the time and yield back the floor.

I note the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

The PRESIDING OFFICER. Without objection, it is so ordered. Under the previous order, the Senator from Ohio is recognized to speak for up to 15 minutes.

10TH ANNIVERSARY OF DUI CRASH IN KENTUCKY

Mr. DEWINE. Mr. President, today marks the 10th anniversary of the most tragic drunk driving case in our Nation's history. Ten years ago today, on Saturday, May 14, 1988, a school bus filled with children heading home to Radcliff, KY, after having spent a day at King's Island Amusement Park in Ohio—that school bus was hit head-on by a drunk driver heading the wrong way on Interstate 71 near Carrollton, KY, 10 years ago today. The collision caused the front gas tank of the bus to explode in flames. The crash caused the death of 24 children and three adults, and left many of the 36 survivors burned and disfigured.

This crash did not just affect the 63 innocent victims who were on the bus that day. It had significant impact and changed forever many of the victims' families, friends and their community. This horrible tragedy helped fuel a nationwide movement which has helped to change our Nation's attitudes towards drinking and driving. This horrible tragedy helped spur State legislatures to enact more stronger drunk driving laws. It led to tougher enforcement and has caused people to think twice before drinking and driving. In short, it is no longer ‘‘cool’’ or ‘‘neat’’ in our society to drink and drive. And this horrible, horrible tragedy did impact people and has helped to galvanize public opinion in regard to drunken driving.

The effects of this attitude change are well documented. In 1986, 24,050 people lost their lives in alcohol-related traffic crashes. A decade later that number had dropped by 28 percent; 17,274 people lost their lives in 1995 in