protected for the future. We all know that we are going to see within the next 10 or 11 years additional strains on Medicare as those of us who are baby boomers come into the system, and beyond. We have critical needs in Medicare. We don't need to put $500 billion in the column that is open for spending or a tax cut. We need to place it on the side with Social Security, in a lockbox—all of Social Security, all of Medicare in a lockbox—so we are guaranteeing that we are not touching a penny of either Social Security or Medicare.

When I first came to the Congress and was in the House of Representatives for 4 years, we were talking about trying to keep ourselves moving to pay off our debt so we could finally say that Social Security and Medicare trust funds would not be used in the bottom line of the budget.

We heard people in both parties—in fact, again a vote was taken last year to support this bill that has been reintroduced—and yet with all of that support, we now find ourselves in the position with a budget being proposed that does not add up, unless you add using Medicare trust funds to the bottom line. I am gravely concerned about that as we look to the future in Medicare.

We all want to see a tax cut. We may struggle and debate who ought to be receiving the majority of that tax cut. My preference is that a lot of it go across the board and be targeted to the working class men and women and their families.

We all talk about deficit reduction and protecting Social Security and Medicare for the future. Unfortunately, while sitting in the House Chamber on Tuesday night, I saw a proposal in broad terms that did not add up. My fear is that will move us backwards rather than forwards as we have been continuing to strengthen our fiscal position and our economy.

We do not need to go back to the eighties and higher interest rates and high unemployment. In my great State of Michigan, those were tough times for families, small businesses, and family farmers that I represent. I am in no way interested in going back to those times with fiscal policies that do not add up.

I join with the President and with others who want to see tax cuts for middle Americans. We can do that without spending Medicare and Social Security. We can do it without putting ourselves back into a situation where we are going into deficit spending.

I truly believe the people of the great State of Michigan want me to support a balanced approach that continues to pay down the debt and protects Social Security and Medicare, and to provide tax relief across the board that is focused on middle-income workers, small businesses, family farmers; and that we also are committed to a future that includes investment in our children, in education, access to college, and making sure that health care, particularly prescription drugs, is available for the people whom we represent.

Again, I urge my colleagues to join with us in a proactive way to support S. 21. I hope we can get everyone in this Chamber to be a cosponsor of this bill which clearly sends a message across the country that we want to work together to fashion a plan to keep our economy going and provide tax cuts, and that we not spend Medicare trust funds to do it.

I urge my colleagues to join in supporting the lockbox for Social Security and for Medicare.

Thank you, Mr. President. I yield my time. 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. BOND. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

THE PRESIDENT'S BUDGET AND TAX REDUCTION PROPOSAL

Mr. BOND. Mr. President, one of the very lucky things we have around here is the opportunity to listen to some very intelligent people giving us their ideas on a lot of important subjects. Recently, I have had the pleasure of listening to Chairman Alan Greenspan, who spoke before the Budget Committee a couple weeks ago. Yesterday, we had our budget director, David Walker, speaking to the Centrist Coalition and also had an opportunity to listen to Larry Lindsey, the President's economic adviser, who used to serve on the Federal Reserve. I have learned a good number of things from them that I think are very important for the discussions we have about the budget and how we deal with the tax surplus that is confronting our country. As previous speakers have said, we are no longer in a cold-war world; we are no longer trying to get out of the budget deficit problem.

I think a couple things need to be clarified about some remarks I heard earlier. No. 1, it was not the tax increase of 1993 that got us out of the budget deficit situation. I served on the Budget Committee during those, what I would say were very frustrating years—1993, 1994, 1995. We went back and checked. Do you know something very interesting? In spite of the fact that President Clinton and the then-majority Democrats passed the largest tax increase in history, it did not do anything to lessen the deficits.

We went back and checked because the President's budget proposal, I think for four straight budgets, proposed deficits of $200 billion a year, roughly, as far as the eye could see.

There was no decrease in the deficit because they proposed to spend the money. We raised taxes to deal with the deficit, but then they raised spending to cover up the tax increases.

So it was not until we got into those battles in 1995—and those were difficult battles; I don't want to relive those days—but those were important battles because we finally made the point—with a Republican Congress and a Democratic President—that we had to start getting spending under control to get out of this deficit spiral that was driving us further and further into debt. And we did it.

And we did something else, again, without the support of the President initially, and with some, but not a lot of, support from the other side of the aisle. We cut the capital gains tax rate. At the time, CBO and others were saying: Oh, the capital gains cut is going to cost revenue to the Federal Government.

Some of us believe that when you cut taxes, particularly on an optional activity, such as selling property—which triggers capital gains—you can actually get more sales of property; that we could unlock some of the locked-in gains. We did, and capital gains revenues went up significantly.

But lo and behold, something else very important happened. As we took away the disincentive to roll over old investments and put them into new investments, we started investing them in something new called information technology, which enabled us to develop much more productive ways of doing things. Lo and behold, the productivity of this economy grew. When the productivity grows, that means we can get more goods and more services—a better quality—without paying more, and we can pay better wages.

We also had welfare reform, which took significant portions of the people off welfare and put them to work. Again, I am proud that the Republican Congress was able to pass a bill three times—two vetoes—and then it was finally signed, and we got more people working.

So we were really generating things with our economy. We had good jobs, and productivity was up. Our lucky streak ran out, probably back in September, as the indicators turned down. We are seeing signs that are not encouraging, that the business cycle may be going into a downturn. But we believe that for the long term, this country is going to continue to grow. The budget projections of the CBO, and the blue chip indicators, suggest that even if we do have these budget downturns, we still are probably going to have about a $5.6 trillion tax surplus over the next 10 years. It might be lower; it might be higher.

Most likely, if we can continue to invest in productivity—the rate of productivity growth we have had in recent years—it will be higher. So the question becomes, What do we do with that $5.7 trillion tax surplus? David Walker says we ought to pay down all the debt as quickly as we can.

Chairman Greenspan used to say that, but now he has said: Wait a minute, you can only pay down so much of the debt because a lot of it is in bonds and other long-term instruments that people are not going to want to sell because a lot of us have given savings bonds, and other things, to our kids or people who have made long-term commitments to saving. So we cannot get them all back.

So Alan Greenspan, when he testified before the Budget Committee, said it is time that we start reducing taxes. We need to continue to pay down the debt in a steady, consistent, prompt manner, but do not try to get rid of all of it, and start now with some tax relief.

So the President has come up with a proposal for that $5.6 trillion: To use $2.9 trillion of it for Social Security and Medicare; to use $1.6 trillion to reduce the tax burden of those who are paying taxes; and set aside another $1 trillion for needed investments—actually, expenditures that may come along, and that is after we have the ordinary inflationary growth. So that is even after Government grows by, say, 4 percent in discretionary spending.

The one thing that everybody agrees we should not do with that surplus is lock it in totally to more mandatory spending, entitlements, because that is what, according to David Walker, is going to break this country 20, 30, 40 years down the road, if we do not do something about it. We cannot continue to lock in automatic spending because you never can get out of it; it is too difficult.

So the President said he wants to give a $1.6 trillion tax reduction. Our Democratic friends say: We want only $900 billion in tax reduction. The President said: We are going to increase spending some. But apparently—my guess is—my colleagues on the other side of the aisle would want to spend the $700 billion difference between what they want as a tax reduction and what we want as a tax reduction.

Frankly, I think that is a bad way to go because our economy is suffering right now under the highest income tax rates we have ever had in peacetime. Mr. President, 21.6 percent is what we pay in taxes now. The only time it was higher was in 1944, at the height of World War II. That tax rate is too high. It threatens to choke off the money flowing into productivity, to businesses, to families, to make their own decisions, to make their own investments. So I believe $1.6 trillion is a reasonable figure. A portion of that must go to reduce marginal income tax rates.

Just a few years ago, the top marginal rate was 28 percent. A lot of people, if you poll them, will say: Yes, the Federal Government could take 28 to 30 percent of a rich person's income, take it in taxes.

The President is only lowering the top rate to 33 percent, but he is giving across-the-board tax relief to all Americans paying income tax. Six million people, the lowest income people paying income tax, could be dropped off the rolls. For a family of four making $35,000 a year now paying income tax, they would pay none. For a family of four making $50,000 a year, their income tax burden would be cut in half.

A question has been raised in this Chamber about progressivity. Are you continuing to tax the wealthy more? The answer to that is yes. You drop 6 million people off at the bottom; then you have the wealthy. Anybody who makes over $100,000 a year—we could say that is relatively high income—right now those people making over $100,000 a year pay 61.9 percent of the total income taxes collected. After the Bush plan is fully implemented, they would pay 64.1 percent. They would be paying a larger share, more than 2 percent more of the taxes. If we want progressivity, President Bush's plan is important.

Why is it important? Because only with that tax reduction can we make available the continuing investment in productivity that keeps the economy growing. Individuals, small businesses are making investments in other companies and in their own companies. There are some 20.7 million small businesses in America taxed at personal rates. They are proprietorships, personal operations—a farm, a small store, a computer consultant—or they are partnerships or sub S corporations. That means the individual tax rate affects the business.

A few years ago, after the 1985–86 tax cut, they only had to pay 28 percent as a top rate on their income. They used that money to invest in new equipment, in new employees, to expand their business. Now some of them at some rates pay as much as 44 percent as a top rate in their business. That is a significant cut in the amount of money that is available to invest in business and expand productivity.

I asked Alan Greenspan: Why is it that marginal tax rate cuts are the best thing we can do for the economy?

He said: For the long-term, the best thing you can do for the economy is to reduce marginal rates because reducing marginal rates puts more money into the investments we need—into technology, equipment that improves productivity, provides better wages and better economic opportunity and more jobs.

That is basically the reason why the Bush tax plan makes a great deal of sense.

There are a lot of other ideas around here. I am sure we will have an opportunity to work on them. For the long term, if we want to keep our economy growing—and I think we certainly do—we need a balanced approach that does as the President said: No. 1, reduces the debt as far as it can; provides tax reductions that will be put into productive investment; and puts money into high priority items, items such as education, items where we can see a real need.

We also need to reform Medicare, including prescription drug options for seniors in assisting low-income seniors. We ought to get about working to reform Social Security as well. As we do those things, leaving money in the private sector is the best way to make sure our country can progress.

There are those on the other side who say we are giving tax money back to the wealthy to purchase a Lexus. Frankly, we make a lot of cars in Missouri; we don't make the Lexus. If they have earned the money, the question is, How much of that do you tax away? If they buy a Ford or a Chevy or a Dodge minivan, they are putting a Missourian to work. That is not all bad. We could have that if we adopt a sound economic plan, a sound budget, and a responsible tax reform proposal. I believe the President's proposal is sound.

We have heard statements made, a lot of statements, that the top 1 percent of the income earners only pay 20 percent or 21 percent of the income tax. That is not true. They pay 34 percent of the income tax. They would wind up paying more under the Bush plan. It does keep progressivity as well as providing relief up and down the line.

I hope the American people will take the time to find out the truth about the economics of the budget and this tax relief plan. I believe if they do, they will find that this is a plan that makes sense. It is balanced. It meets the priority needs of the American people, and it is the best recipe we have to see continued economic growth, good jobs, increasing productivity, and a better way of life for all Americans.

I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. SMITH of Oregon). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. REID. Mr. President, I ask unanimous consent the order for the quorum call be dispensed with.

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

FEMA

Mr. REID. Mr. President, in recent years in the State of Nevada we have had two natural disasters that have been very traumatic. One was in Reno, one in Las Vegas, and both were floods. The majority of the natural disasters that we have in America, are caused by water. There are earthquakes, of course, and there are fires, but most of our natural disasters have to do with water.

As I just mentioned, in Las Vegas and Reno we had two devastating floods. They both destroyed property. Thankfully the loss of life was fairly minimal, but there were lives lost, nevertheless, these floods were devastating. Homes were washed away. Businesses were washed away.

The one highlight, as I look back, was the fact that the Federal Emergency Management Agency, FEMA, was there and they did a wonderful job.