the weeks after the terrorist attacks most of those filing unemployment claims worked in the visitor industry. However, state labor department officials have advised me that claims are coming in from workers laid off from a wide range of industries and small businesses in Hawaii. In 2001, our visitor industry experienced a $1 billion decline from the previous year. After September 11th, domestic travel to Hawaii fell 30 percent and international travel dropped by 50 percent. The number of visitors to Hawaii declined by 600,000. Our Governor and State Legislature are considering ways to deal with a $300 million budget shortfall.

The economic stimulus proposal that we are currently considering includes important provisions such as extending unemployment insurance benefits for an additional 13 weeks for those individuals who have exhausted their regular, state-funded benefits. With the Hawaii State Department of Business, Economic Development, and Tourism predicting that a full recovery will not occur until the last half of 2003, it is imperative that we pass responsible economic stimulus legislation. Hawaii's economy and working families cannot afford another long and disastrous recovery, especially since the State was just beginning to recover from a nine-year economic recession.

Temporarily extending unemployment insurance benefits will help the American people and revitalize consumer confidence. As recent research has shown, the Unemployment Insurance system is eight times as effective as the entire tax system in mitigating the impact of a recession. In addition, the Unemployment Insurance system is able to target the very sector of society that needs the most economic stimulus. I would like to remind my colleagues that in every recession during the past 30 years, including the 1990–1991 recession, Unemployment Insurance benefits were extended.

There is no doubt that extended unemployment insurance benefits and the other elements that make up the core of this short-term economic stimulus package would help to boost Hawaii's and our Nation's weak economy. There are faint signs of recovery and resilience nationwide which underscore that we may, I repeat may, have seen the worst from the current recession. A well-defined, short-term stimulus package that is limited and specifically targeted for maximum effectiveness can play an important role in promoting economic recovery.

Clearly, there are contrasting views among Members of Congress as to what provisions should be included in a stimulus package to maximize the stimulative effect on the economy. I believe that the economic stimulus package should encourage increased spending as soon as possible to rejuvenate the economy, assist people who are most vulnerable during the economic slowdown, and restore business and consumer confidence. However, it is important that fiscal discipline over the long-term be maintained in order to ensure economic growth in the future.

I commend the majority leader for his efforts to fashion a bipartisan compromise and move this important legislation. In addition to extended unemployment benefits, the compromise package includes three components that both parties included in their stimulus bills last year, including tax rebates, bonus depreciation, and fiscal relief for states through a temporary increase in the Federal Medical Assistance Percentage, FMAP, rate.

Last month, I attended the opening of the Hawaii State Legislature and Governor Ben Cayetano's State of the State address. I am not exaggerating when I say that increased Federal Medicaid assistance to the states is critical to my State and States across the Nation that are facing tremendous revenue shortfalls because of the recession, the repercussions of September 11th, and Federal tax changes enacted last year.

I strongly support the component of the stimulus package that would temporarily increase the FMAP rate for States. Medicaid matching rates for fiscal year 2002 are based on State per capita income data from 1997, 1998, and 1999—years in which the national economy was strong. Consequently, matching rates are slated to be reduced for 29 States in 2002. The reduction in FMAP rates has worsened an already bleak fiscal outlook for many States. In August 2001, the Congressional Budget Office projected that Medicaid expenditures in 2002 would be 9 percent higher in 2002 than in 2001, while States projected that their revenues would rise just 2.4 percent.

Rising Medicaid expenditures have long been a serious concern to States. The repercussions of the terrorist attacks on September 11 are leading most analysts to expect even higher State Medicaid costs because the economic downturn will make more people eligible for Medicaid and lower State revenues. It is during difficult financial times that the Medicaid program becomes a primary target of state budget cuts. Yet, people need Medicaid during these times more than ever.

The Federal Government matches between 50 to 83 percent of the cost of Medicaid in each state. On average, the Federal Government pays 57 percent. The FMAP formula is based on the State's per capita income in the 3 calendar years that are most recently available. For years, Hawaii received the lowest Federal match—50 percent. Recognizing that increasing the FMAP rates would ease States' financial constraints, I have long worked to increase Hawaii's FMAP rate.

The temporary increase in the FMAP is an important component of our Nation's economic stimulus policy. Medicaid is the largest Federal grant-in-aid to States. Temporarily increasing the Federal matching rate could have broad positive ramifications for State budgets, the impact of which would be rapid and would not require additional Federal or State bureaucracy. These changes would provide much needed health care to people in need by providing States the resources to do so.

It is clear that an economic stimulus package is needed to support our economy during these uncertain times and to promote a rapid recovery. We saw the Federal Reserve Board cut interest rates 11 times in a row last year with limited economic effect. Congress has also taken actions to provide some of that stimulus through emergency spending for recovery efforts and to assist the airline industry. It is critical that Congress promptly pass an economic stimulus package that will rejuvenate our faltering economy while assisting households who have been especially hard hit by the downturn in the economy. I hope the Senate will complete action on this legislation this week so that the Congress can send a measure to the President by the Presidents' Day holiday.

Mr. REID. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

ESTATE TAX REPEAL

Mr. CORZINE. Mr. President, I rise today to talk about the stimulus package, one that I firmly believe we should have as a nation. It is clear to me that while we may have a stronger economy today than we had 3 months ago or 6 months ago, we still are in a period of very slow growth, if at all, and one where I think we need an insurance policy to make sure our economy does turn around, it does pick up, and does better in the new year. We have real needs of the unemployed to address and their loss of benefits in our society.

There are plenty of reasons to believe we ought to encourage business investment through a bonus depreciation plan, and we need to help our States that are running huge deficits with Medicaid matches and in other areas.

For the life of me, I do not understand why we would think that making permanent an estate tax cut 10 years in the future is going to do a doggone thing to stimulate the economy now. While I have great respect for the distinguished Senator from Arizona, I think this idea of calling for the permanent repeal of the estate tax is just a bad idea.

Last year, I did believe there was a need for some reform with respect to the estate tax. I thought it was onerous on many small family farmers and also for small businesses and some individuals who were trying to deal with relatively limited estates. I thought it was burdensome on these folks.

I strongly opposed before I was here and I strongly oppose now the complete repeal of the estate tax. Those Americans who have done well and have had the benefit of the American promise in its greatest format I think have a responsibility to give some contribution back to the country that gave them the opportunity to do so well. We are all a part of that community. It seems reasonable that an estate tax fits within that concept.

We can talk about the rates and about some elements of it, but it seems to me there is reason to believe those who have benefited so much have a responsibility to their community and society. Furthermore, it is a gift from one generation to the next, and if we are going to be consistent in how we treat various parts of our Tax Code, gifts are taxable and so, too, should be estates.

That is not the issue today. The issue is: Is this stimulative to the economy? Is it something that makes any sense in the short term to get America's economy moving again?

For the life of me, I just do not understand it. Whatever one might think, there is just no credible argument that would show it is going to do anything to stimulate the economy today.

So I firmly want to speak out against this particular amendment because we have limited resources in this country. We have a fiscal structure that is very dangerous with regard to our needs not only in this decade but certainly in succeeding decades when the estate tax will really have a bite, as opposed to in the short run coming in, in a 10-year time frame. We have a demographic bubble that is going to change the underlying demands on Social Security. The number of people drawing it down will bankrupt it, or at least the resources will not be available to pay the benefits at a time many folks would expect them to come forward with their Social Security payments.

To complicate that problem further by making permanent this estate tax repeal is difficult to understand, particularly since it is implausible to believe anybody is going to change one whit their spending patterns today based on an estate tax repeal that is going to get implemented 10 years from now. So it is an amendment that I think has no place on a stimulus package or a stimulus bill that we might be working on today.

Again, I question whether we need a repeal under any circumstances for in fact it provides a huge windfall for a very small number of estates at the expense of the greater population. The estates of fewer than 48,000 people had to pay any tax at all in 1998. That is less than 2 percent of all estates. The beneficiaries of that estate tax, those burdened with that estate tax, are some of the wealthiest folks in America.

I think it is fine to be wealthy, but the fact is we have great needs in this country. We are making choices about whether we are going to fund an additional 2 million new teachers so we can lower class sizes in this country. We have a Social Security system that everyone says is going to be stretched to meet its needs as we go through the 21st century. We have great demands on our homeland security, on national security. It does not make sense that we should be putting this in place right now.

Also, it is dangerous for something that is really important to all Americans, and that is our charitable and philanthropic efforts in this country. It is hard to imagine what kind of impact the repeal of the estate tax is going to have on so much of the roughly $6 billion worth of charitable contributions the Treasury Department estimates we would be receiving. I am concerned about our ability to continue to make sure we have the community-based support that is operated through our philanthropic efforts. If we have ever seen the value of that, we have seen it in the days that have followed the September 11 tragedy as Americans have reached out to help others. Certainly that has been benefited by the view that charitable contributions and estates provide a basis for a lot of the charitable giving.

So while this permanent repeal of the estate tax may cost $55 billion in 2011, and that is a lot of money, I think the real issue is we ought to worry about what it is going to cost in the second decade. I have an estimate that it may be over $800 billion in the second decade from 2012 to 2021. I find it hard to believe we want to take that bet at this point in time, when we have such a serious issue coming with baby boomers and the demographics that I spoke about before, and the real need to protect and provide security to Social Security and Medicare for our seniors. I guess that is before we have a prescription drug benefit for seniors and other things we have talked about.

I do not have a clue how we could put this together and call this significant stimulus. I think there are fundamental reasons to believe that it is not a good policy in the long run. So I strongly urge my colleagues to oppose the amendment. I think there will be reason for further debate about this as we go forward in the future.

KENNEDY PROPOSAL TO REPEAL LAST YEAR'S TAX CUTS

Mr. GRASSLEY. Mr. President, I would like to address a proposal by the Democrat leadership to repeal the future individual income tax reductions enacted in last year's historic tax cut bill.

At this time last year, the CBO reported that, as a percentage of GDP, Federal taxes took 20.6 percent of GDP, a record post World War II level.

Individual income taxes were at even more dramatic levels. CBO reported individual income taxes were at 10.2 percent of GDP.

Even after last year's tax cut is fully in effect, however, the CBO estimates that Federal taxes will still take between 19.2 percent and 19.9 percent of GDP over the next 10 years.

That is still way above historically average levels of Federal taxation. Just look at the chart behind me.

This chart shows total Federal tax receipts as a percentage of gross domestic product over that past 40 years, and it projects tax receipts over the next 10 years as a result of last year's tax cut.

As you can see, even after last year's tax cut, the level of taxation remains at historically high levels of GDP.

As this chart shows, tax receipts have fluctuated frequently since 1960, but have escalated significantly since 1993. They will remain at historically high levels for the next 10 years. Now look at the history on this chart.

The most shocking spike in tax receipts began in 1993. The CBO's January 2001 report to Congress shows that in 1992, total tax receipts were around 17.2 percent of GDP. Since that time, Federal receipts climbed rapidly.

By the year 2000, Federal receipts had exploded to an astronomical 20.6 percent of GDP.

The significance of this percentage can only be appreciated by historical comparison. In 1944, at the height of our buildup during World War II, taxes as a percentage of GDP were 20.9 percent—only ½ percent higher than they are today. By 1945, those taxes had dropped to 20.4 percent of GDP.

Even after last year's tax cut is fully phased in, taxes will still average around 19.4 percent over the next 10 years. As you can see from this chart, it is still higher than most of the levels over the past 40 years.

Taxes were higher during the years 1993 through 2000, which were attributable to the tax increases forced through by President Clinton in 1993.

Similarly, the increase in receipts from 1965 to 1969 was attributable to the Vietnam conflict. The runup in receipts from 1976 to 1981 was caused by "bracket creep," which occurs when inflation causes wages to increase, forcing people into ever higher rates brackets. We corrected that problem years ago.

So as you can see, while the Democrats rail against last year's tax cut, it was actually rather modest. When compared to the levels of taxation imposed over the last 40 years, we still remain at historically high levels of taxation even after last year's tax cut.

We hear now a great hue and cry from some on the other side of the aisle that last year's tax cut should be repealed. But I ask: Are high taxes the only way to balance our budget?

One of the most ardent advocates of repealing last year's tax cut is my good friend Senator KENNEDY. I have been pleased to work with Senator KENNEDY on many bipartisan proposals and look forward to continuing those efforts.

Senator KENNEDY is an important leader. Whenever he speaks, I pay close attention because he's a serious and effective legislator who often reflects the