the economy. We haven't done anything with that.

Tax permanency and doing something about the estate tax so people will be more willing to invest their money—they don't want to do that, and they haven't brought it up. We need to be sure to take those items out of the committees.

Limits on liability, tort reform—that has something to do with the economy—we could do that. The leadership has chosen not to bring that up. So there are many things where there seems to be a contradiction.

All of us want to pass homeland security legislation. No one in this Chamber does not want to accomplish that. And we want to make it work. To do that, we need to move forward. There is no one in this body who does not want to see our economy strengthened, making life better for everyone in this country.

We have to make some decisions. We have to have some movement instead of being 4 weeks on the same thing and having not accomplished it.

Mr. President, I certainly hope we can move forward. I think all of us want to do that. We have a couple weeks in which to do it. Now is the time.

I yield the floor.

The ACTING PRESIDENT pro tempore. Who yields time?

The Senator from Utah.

Mr. BENNETT. Mr. President, may I inquire as to the parliamentary situation? Are we in morning business?

The ACTING PRESIDENT pro tempore. We are in morning business for 20 more minutes, according to the order.

Mr. BENNETT. For another 20 minutes?

The ACTING PRESIDENT pro tempore. The Senator is correct.

Mr. BENNETT. I thank the Chair and ask unanimous consent that I be recognized for the next 20 minutes.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

## THE ECONOMY

Mr. BENNETT. Mr. President, we have had a lot of discussion on this floor about the economy recently. Since we are in an election period, we have a lot of discussion on the campaign trail about the economy, with a number of questions being raised—in raised voices—as often happens during a campaign.

One of the questions we have heard thunder forth on this floor is: Who lost the surplus? Where did the Government surplus go? Those who ask the question almost always answer it by saying: It was the Bush tax cut that destroyed the surplus. And it is the Bush tax cut that causes us now to be in deficit.

As I have contemplated responding to this, my mind has gone back to an old Peanuts cartoon. Charlie Brown and Lucy are having a conversation. In the first panel, Lucy is complaining about various problems in her life. In the second panel, Charlie Brown says: Yes, Lucy, life does have its ups and downs. In the third panel, Lucy makes her position very clear. She says: I don't want any downs. I only want ups. And in the fourth panel, she is marching off saying: Nothing but ups, ups, ups. And Charlie Brown responds with the time-honored comment: Good grief.

There are many people who view our economy the same way Lucy does. They do not want ups and downs; they just want ups: a continuum, as far as the eye can see, of years that are better economically than the years before.

There was a period of time, in the 1990s, when we were in the longest sustained expansion of our history, where people were saying: Lucy has finally got her wish. We have nothing but ups.

During that period, I had the opportunity to talk with Alan Greenspan when he appeared before the Banking Committee. I asked him the question—not necessarily in Lucy Van Pelt terms—but I said to him: Have we repealed the business cycle? As we look at the strength of the economy, and all of the years that are ups, have we now reached the point when the business cycle will not kick in and we will not see a downturn?

Well, Mr. President, as you know, Alan Greenspan is one who spoke of the new economy, who spoke of structural changes in the economy as a result of the information age and the application of technology to our decision making. But when I asked him the question with respect to the business cycle, he smiled that wry smile of his and said: No, Senator, we have not repealed the business cycle; it will still manifest itself in the years ahead. And it has.

I brought this chart to the Chamber to demonstrate when the business cycle started to give us a ''down.'' You can see, in the third quarter of 1999, we were still in a strong ''up'' mode. In the fourth quarter, Christmastime, it was strong. While we did not do so well in the first quarter of 2000, we were still in the very strong ''up'' territory.

But by the third quarter of 2000, all of a sudden we were down dramatically. We were still not in a recession, because a recession technically is when the economy is shrinking rather than growing, but there was very anemic growth, indeed, of 0.6 percent in that quarter.

You get to the fourth quarter, Christmastime, where before you were up with a growth of 7.1 percent, and now you have a growth of 1.1 percent. It was not a recession technically, but it certainly felt like one.

Before, we had been in strong territory, through the 1990s and on into the first half of 2000, and suddenly we were down in this weak territory in the last half of 2000.

In the first quarter of 2001, we slipped into red territory and negative growth, minus 0.6 percent growth in the first quarter; minus 1.6 percent growth in the second quarter; coming back out of the business cycle, minus 0.4 percent growth in the third quarter; and then, in the fourth quarter of 2001, back into positive territory again.

In the first quarter of 2002, we have strong growth again. Then we are back to 1.3 percent growth. But these cross-hatched areas show what the economists are predicting for the remainder of the year.

So we go from the stronger period of the ups that Lucy Van Pelt loves, then the business cycle comes again, we have a recession, and then we start to come out of it again.

To those who say: Where did the surplus go? and, Wasn't it eaten by the tax cut? I say the answer is very clear: It was eaten by the business cycle.

What causes the business cycle? What causes things that have been going well for so long to suddenly go wrong? There are several reasons. Let me try to discuss each one of them.

The first thing that causes the business cycle is, quite frankly, bad decisions—bad decisions on the part of policymakers in Government, bad decisions on the part of business men and women, bad decisions on the part of managers.

One of the reasons we have seen the severity of the business cycle tamp down a little, so that the swings are not nearly as wide as they used to be in my father's business days or my grandfather's business days, where we do not have anything like the panic of 1873, we do not have anything like the Great Depression of the 1930s anymore, is that business men and women have better access to information and, therefore, they make fewer mistakes.

The classic business cycle in the manufacturing world would run like this—this is oversimplified, but it illustrates the point. You open a factory, and you start to produce widgets. You can see I went to business school because in business school they always talk about widgets as the generic product.

All right. You open a factory. You start to make widgets. Let's say your widgets sell pretty well. As the sales reports come in, you, as the manager of the factory, the manager of that business, say: We need to build more capacity. We need to make more widgets because there is demand for widgets out there.

So you double your shift. You put on two shifts, and you are having twice as many widgets come out of your factory. Pretty soon, people say to you: The wear and tear on our machinery is such that we need to build a new factory to meet this demand for widgets. So you invest in a new factory, and you are back to one shift, but now you are producing something like three times as many widgets as you were before. And you are now in the ''up'' period because people who make the raw materials that go into widgets are selling them to you, they are paying their employees, they are buying raw materials from their suppliers, and it is all running through the economy. There is prosperity.

While there is prosperity in the economy, there is prosperity in the Government, because all of the employees of all of these companies being hired to help you make more and more widgets are paying taxes on their income. They are paying taxes on the profits they make in selling supplies and other material to the widget maker.

Then one day, someone walks into your office as the head of that widget company and says: Have you noticed how many widgets we have in the storeroom? Have you noticed how big our inventory of widgets has gotten? We have so many extra widgets that we have not shipped that we need to shut the factory down until we work off the excess inventory. We need to shut down at least half of our capacity until all the widgets in the storeroom have been cleared out and sold.

You made a wrong decision to keep manufacturing widgets when the demand started to fall off or level off. You didn't realize it was the wrong decision. It didn't feel like the wrong decision, as you expanded capacity, but now the proof is in the inventory. It is piling up on the back lot, and it is overrunning your storehouses.

You have so many extra widgets, you have to say: Shut the factory down; mothball the extra factory we built because we are not going to be returning to that for quite a while; lay people off until we can get rid of all of the excess widgets we have.

So you go into the downside of the business cycle. You go into a recession. And as you stop manufacturing widgets, you stop ordering raw materials from all your suppliers, and they stop ordering goods and services from the people who supply them. And those people get laid off, and the Government doesn't get any taxes because none of those employees is taking home a paycheck. Indeed, they are now drawing unemployment compensation so the Government is seeing more money go out at the very time less money is coming in, and the Government starts to run deficits. We are in a recession and everybody gets concerned. Gloom and doom overhang the economy.

Then one day the same person who walked into your office and said, do you know how many widgets we have in the storeroom, walks into your office and says: Do you know how bare the storeroom is? We have sold all of those widgets. We have sold all the widgets that were in the back lot. We have sold all the widgets that were in the warehouse. We don't have any widgets. There is still a demand for them out there. You better gear up the factory.

So you get on the phone and you call your workers back and you say: We have to gear up the factory.

Once again, you should have done it earlier, but you made a mistake. You had bad information. In the 1950s, in the 1960s, in the 1970s, you were dependent on hand counts of inventory, sales figures that were sometimes weeks, if not months, after the fact, and it was inevitable that even the best manager would make the wrong decision on the upside and make the wrong decision on the downside, which meant that the business cycle was more and more extreme by virtue of bad information.

The main contribution of the information revolution to the business world has been good information with which a manager can now say: Wait a minute. There is a softening in widget demand. We will eliminate the second shift, but we will continue to operate both factories.

Instead of the wild swings that we used to have in the business cycle, today's swings are narrower and softer, but they are still there because, inevitably, at some point, someone will overestimate sales and thereby build too much capacity and then, on the other end, underestimate sales and have to turn around, and you will get a business cycle.

In historic terms, this recession, outlined on this chart, is milder than any we have had. Those with memories go back to the recession that started in the early 1990s. That recession was much sharper and more difficult and more painful than this one has been. If you have an even longer memory, go back to the recession of the double dip in the early 1980s when we had economic devastation that would make these kinds of numbers look like paradise.

I remember being taught in school that 6 percent unemployment was full employment, that the economy could not absorb any more than 94 percent of the available workers and when you got to 6 percent unemployment, you were at full employment. In the 1990s, we got down in some parts of the country to 2 and 3 percent unemployment. There were times in my State where employers could not hang on to workers because there were so many jobs. They said: Our biggest problem is trying to get labor.

Interestingly, at the height of the latest recession, at the time of greatest difficulty in the job market, there was wringing of hands, weeping and wailing and gnashing of teeth because we hit 6 percent unemployment. The unemployment rate has started to go down now from 6 percent, after hitting that peak.

So in historic terms, this is a mild recession, but what comfort is that to people who have lost their jobs and, more importantly, to the issue I started out to discuss: How about the surplus and what has happened to the surplus and who lost the surplus?

You can anticipate my answer to that. The surplus was lost to the business cycle. I said there were several things that cause a business cycle. I have given you the one that happens within the business cycle itself.

The other is that outside things come along. The oil shock that hit us in the 1970s helped trigger difficult times. September 11 hit us just as we were struggling with the economic downturn and made it deeper and longer than it would otherwise have been. Outside shocks and outside circumstances can also trigger a business cycle.

So it is not just bad decisions on the part of business leaders; it is also outside problems. We had both of those hit at the same time. The business cycle turned us down, and then September 11 hit us. We have still not recovered from September 11.

I was speaking to a good friend in the hospitality industry. He said: After September 11, we were off 20 percent from the norm. This is an industry that is bigger than the automobile industry in its total impact on the economy.

I spoke to this leader over the weekend and said: Have you recovered yet?

He said: No, we have come back in relative terms. We are now only 10 percent down from the norm.

But in that industry, 10 percent is huge. We have seen airlines that are faced with bankruptcy because people are afraid to fly. They are filling their planes, but they are filling their planes with cut rates that can't possibly give them an adequate rate of return.

What happened to the surplus? What happened to the surplus is that the economy got hit with business cycle problems and with outside shocks simultaneously and, as I was describing in the widget business, when the economy gets hit, the Government gets hit. Tax revenues go down as business activities go down.

As these numbers remain strongly blue and go strongly blue into the future, the tax revenues will come back. They will come back by virtue of the strength of the economy.

The fundamental rule I want everyone to understand is this: Money does not come from the budget.

Money comes from the economy. We can pass any kind of budget we want. We can make any kind of projections we want. But we will be humbled by the realities of the marketplace every single time. Sometimes the marketplace will produce more revenue than we budgeted for. That is what happened in the 1990s. We budgeted, hopefully, to get to a balance by 2002, and the economy surprised us and took us not only to balance, but surplus, in 1999. We were then budgeting surpluses for as long as the eye could see. The economy said: No, you are forgetting the business cycle. That, plus the attack of the terrorists, threw us into this situation, and Government revenues went down, regardless of what we budgeted.

Let us understand, when we talk about what happened to the surplus, that it was not the passage of the tax cut that caused the surplus to disappear, it was not really much of anything we did here on the floor—except as we reacted to the two realities that hit us unexpectedly. The business cycle came along and said I have not been repealed, and the economy slowed down, and then outside shocks hit us in the form of a terrorist attack that devastated large segments of the economy that have still not recovered.

Those of us who are so sure that we control this economy, and what it does by virtue of what we pass here, need to have a little more humility and a little more understanding and realize once again that the most important thing the Government can do in order to maximize Government revenues is to create an economic climate in which market forces can produce the greatest beneficial result. But even at those times, when the atmosphere is most conducive, the business cycle is still with us and will humble us if we keep thinking that, like Lucy Van Pelt, we can go through life with nothing but ups, ups, and ups, and never face the reality of the occasional down.

I appreciate the indulgence of my fellow Senators. I will have more to say on this at another time when we have a sufficient amount of morning business. I recognize the time has come to return to the debate of the bill on the floor.

I yield the floor.

## CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER (Mrs. LINCOLN). Under the previous order, morning business is closed.

## HOMELAND SECURITY ACT OF 2002

The PRESIDING OFFICER. Under the previous order, the hour of 2 p.m. having arrived, the Senate will now resume consideration of H.R. 5005, which the clerk will report.

The assistant legislative clerk read as follows:

A bill (H.R. 5005) to establish the Department of Homeland Security, and for other purposes.

Pending:

Lieberman amendment No. 4471, in the nature of a substitute.

Gramm/Miller amendment No. 4738 (to amendment No. 4471), of a perfecting nature, to prevent terrorist attacks within the United States.

Nelson (NE) amendment No. 4740 (to amendment No. 4738), to modify certain personnel provisions.

The PRESIDING OFFICER. The Senator from Nevada is recognized.

Mr. REID. Madam President, I have spoken with Senator THOMPSON and he has indicated that he has a statement to make. There may be others on his side wishing to make statements on the bill. He indicated that there will be no unanimous consent requests related to this bill.

The leaders have announced there will be no votes today. My friend from Tennessee, I am sure, is aware of that. I look forward to his statement and whoever else wants to speak on this most important legislation.

The PRESIDING OFFICER. The Senator from Tennessee is recognized.

Mr. THOMPSON. Madam President, I thank my friend from Nevada. I concur in his analysis. There will be no unanimous consent request or additional amendments brought up, or anything of that nature. I also agree with him that we should have our colleagues down here discussing this bill, if they desire to do so. I encourage anyone who may be listening, if they have comments on this bill, come to the floor. There will be plenty of time this afternoon for us to continue to engage in this discussion. It is a very important discussion.

I think with regard to the several points of disagreement that we have, we should keep in mind the points of agreement we do have. I think, for example, all concerned agree that we need to bring many of these agencies that have to do with homeland security under one umbrella and that we must do it in a much better and more efficient way than we have carried out the operations of Government in many other respects. So let's build on that.

I hope we can build on that and address the points of disagreement and see if we cannot come together. I am still hopeful that in the waning days in which we have to address this issue, we will be able to come together and agree on not only the principle I just enunciated with regard to the merger, but also with regard to issues concerning the President's proper authority and appropriate flexibility that is going to be needed to manage this gargantuan enterprise we are setting out on. It is really a major endeavor. Nothing has been done like this in several decades in this country, and we are going to need all hands on deck, all the tools, all the resources, and all of the attention that we can bring to bear on this problem in order to make this country safer.

I think most of us realize now that we will probably never again be able to believe we are totally safe and that we can cover every border and every bolt and every automobile and every airplane, all to the extent that we will have a failsafe situation and that we will not need to constantly keep our guard up.

There is a lot we can do. A lot has already been done. The President has taken charge and Tom Ridge in the Office of Homeland Security has taken charge. They have issued Executive orders that have addressed many of the burning issues that we face. I think our border situation is already better. Our transportation situation is better. But there is an awful lot to be done before we get to the point where we can say that we have done all that we can do.

It is a very difficult proposition. I said last week that one of the things that impresses me most about this body, about the Government in general, is how difficult it is to make any really substantive change to anything. If there is any difficulty connected with it at all, if it comes to spending money, or something like that, we can usually come together because it benefits those of us who are spending the money, benefits our constituents, and we get some short-term benefit from that all the way around. We sometimes pay long-term consequences for it, but spending money seems to be an easy thing to do.

Here, we are actually stepping on some people's toes and we are acknowledging some dysfunctional aspects of our Government and we are saying, let's change that. But there are a lot of vested interests out there who don't want to change. They want the status quo. In the abstract, they want the same end result we do—we want a better system—but they don't want to change things in order to achieve a better system.

We have been looking, listening, watching, and absorbing for many years in this Congress and in this Senate the various negative aspects of many of the agencies of our Government and how they are not working, how they are not doing what they are supposed to be doing, how they are rife with waste, fraud, and abuse, and billions of dollars are being sent out for things—like people who are deceased, for example. We find that we cannot incorporate high-tech information systems that have been incorporated in the private sector for years and years, to good effect. We cannot seem to bring that into the Government. The IRS has wasted billions and billions of dollars trying to get their computers to talk to each other. They are making real progress now, but for a long time they did not. And there are human resources problems, human capital problems.

We are losing people we ought to be keeping in Government, and too often keeping the people we ought to be losing because of old rules and regulations that were set up decades ago. We have seen all of this happen, all of this evolve as Government got bigger and bigger and more complex, with levels and upper levels—every Deputy Assistant Secretary has an assistant to the Deputy Assistant Secretary, and they have two, three, and four, and it keeps growing. It makes us less efficient and less responsive to the people we are supposed to be serving.

Now, we understand it is not just money and inefficiency and lack of service we have to be concerned about. We have to be concerned about our very safety—the No. 1 job of Government, self-protection.

Yet there are those who want to incorporate that system, this bureaucratic mess that has evolved into the new Homeland Security Department because they do not want to make any changes.

Unfortunately, a part of what has to be addressed. Governmentwide is our civil service system. No one wants to deal with that because it is politically difficult, politically volatile, and you are going to be stepping on some people's toes. Yet there is unanimity