

tax credit to those entities wanting to build out broadband technology, even in rural areas. In that bill, we used tax credit as an incentive. This differs a bit. I appreciate the efforts of my colleague from Montana in his position on the Finance Committee. This allows 50 percent expensing on the buildout expenses the first year and then would be spread over the full years of depreciation the 50 percent balance. In other words, all investments in the buildout of broadband technology can be expensed.

I urge my colleagues to look at this piece of legislation as it moves through the Congress. It is the key of the deployment of broadband technologies to every corner of the United States and availability to all consumers.

In rural areas, we are doing things differently in two different categories. One of them is rural health. Broadband technology becomes very important. In fact, it is the cornerstone of telemedicine and how we serve our aging population in rural areas. I have 13 or 14 counties that have no doctors at all. They are being administered to by physician assistants and nurses. The ability of telemedicine to diagnose and to serve those people in rural areas becomes very important.

Also, in the area of education is distance learning. A small school located on the prairies of eastern Montana should have the same learning opportunities as young people attending schools in a more urbanized area. Also, in the inner city where tax bases have been eroded, the quality of school has slipped, those young people attending school should be afforded the same learning opportunities.

We must look at ICANN, the organization that assigns names and areas of the Internet. That has to be reformed. I heard when I was home over the holidays about wireless privacy. By 2005, it is estimated there will be over 250 million users of cellular telephones. Not only does this cause a backbreaking demand for spectrum, but it cries for privacy. Now there are scanners being developed with which people can eavesdrop on your telephone conversation from a wireless phone. That is unacceptable. It is unacceptable to the American people and to me.

Regarding online privacy, we worked closely with Senator HOLLINGS in his privacy bill which we passed out of committee. It should be passed by this body.

Last but not least, we should look at universal service and reform. Universal service is that pot of money that allows companies to put telephones and communication devices into areas where they have very high expenses. It should be known to the consumer and also to the ratepayer how this is done. We also know that the fund is going down because of collections. I support strongly universal service. Of course it needs reforming. That will be on our agenda as we move through the year.

That should bring my colleagues up on our agenda in the Commerce Com-

mittee. I am happy to say the Presiding Officer has been instrumental in moving good communications legislation in the House. We welcome him to the Senate. We also welcome him to the Commerce Committee. I hope he will take a look at the Subcommittee on Communications. His talents will be beneficial to that committee.

I yield the floor.

The PRESIDING OFFICER. The Senator from Oklahoma.

THE STIMULUS PACKAGE

Mr. NICKLES. Mr. President, I compliment my friend and colleague from Montana for his remarks about different things we can do to help the economy, including communications. Too many times when we in this body talk about impacting the economy, we are only talking about spending and revenues. We need to have broader vision, including telecommunications, including some areas that are suffocating the economy, such as asbestos litigation, such as liability for health care providers, whether that be doctors or hospitals. Those things handicap or in some cases greatly increase costs and cost a lot of jobs.

I will make a couple of comments concerning fiscal policy. Some colleagues on the Democrat side of the aisle have alluded to it and given their information. I will throw out a few facts. I have heard repeatedly that the President's economic growth package will only benefit a few. I disagree with that. If you happen to be married, if you happen to have any kids, they benefit very substantially. As a matter of fact, the President's proposals dealing with the growth package benefit families very well. He accelerates the per-child tax credit which we passed a couple of years ago and is now \$600 and makes that \$1,000.

In my family, we had four kids. They are grown, so I will not benefit from it. But if a young family has four kids, that is \$4,000 on which they do not have to pay taxes. That is a \$4,000 tax credit. Let me rephrase that. They not only do not have to pay taxes on it, they get a tax credit. If their tax liability is \$4,000, they pay no taxes, no Federal income taxes. That is pretty generous. That is pretty good. That is very profamily. And the President is trying to accelerate that. His acceleration is an additional \$400 per child. With four children, that is an additional \$1,600 a year in Federal income taxes that family, that couple, will not have to pay. They can use that money for their kids' education and other expenses—medical or whatever. They have that choice; they can decide how to spend it.

Also, if it happens to be a family, the President is moving basically to eliminate the marriage penalty. By doing that, he doubles the amount of the 15-percent bracket. That is a big, positive advantage for a married couple. If they have combined incomes up to about \$50,000 or so, they will be in the 15-per-

cent tax bracket instead of the 27-percent tax bracket. That is almost half. That, in value, is at least worth—it is right at \$1,000.

If you couple that with the per-child tax credit, moving up to a \$1,000-per-child tax credit President Bush has enacted or will have enacted—and I expect it will be successful—those are the most profamily tax changes one could imagine.

When I hear this rhetoric, "Well, that only benefits the superwealthy," and so on, I don't know what they are talking about. But if people have kids and they happen to be married, they are going to be at a 15 percent tax bracket up to \$50,000—some and they are going to get a tax credit of \$1,000 per child. That is pretty generous. That is pretty profamily. So I just mention that.

The idea of eliminating the double taxation on dividends is a good idea and one I hope we will be able to pass. It is one about which, I notice, our colleague JOHN KERRY, on December 3, said:

... and we should encourage the measurement of real value of companies by ending the double taxation of dividends.

That statement was made on December 3, 2002, just about a month ago. He happens to be right.

I want to see somebody justify the value of this. What is appropriate about a corporation—I used to run one—having to pay 35 percent corporate income tax on any profits they make and then distribute those in the form of dividends to their owners, and then their owners also have to pay 30 percent or maybe even 38 percent or maybe 27 percent on top of the corporate 35?

If you add those together, you are looking at tax rates of 65, 70—over 70 percent. So if a corporation makes \$1,000 in net profit and they want to distribute that to shareholders, the Federal Government is going to get 70 percent. How does that make economic sense?

It is a real discouragement to granting dividends, to distributing the proceeds, the earnings of a corporation. It encourages just the opposite. So if you are not going to do that, what shall we do? Let's go into debt. We encourage debt. We allow companies to deduct interest. That is deductible right off the top. So the net policy of the corporation, if it wants to expand, should they borrow money or go out and have a stock offering. Time and time again they say let's go deeper into debt, and investors are taught not to invest in companies that pay dividends. Let's invest in growth companies. They are more speculative, granted, and maybe as a result you see greater inflation and a bubble in the stock market and also a greater fall.

That certainly is what happened in March of 2002. We had greatly inflated stock values and they went way up and they went way down. That is one of the

reasons why our revenues to the Federal Government have declined and declined so significantly.

People continue to misstate the facts. "We have a deficit because of President Bush's tax cut that passed in the year 2001." That is not true. Revenues have declined. They have declined dramatically between the year 2000 and the year 2001 and the year 2002. In the year 2000, total Federal revenues equaled \$2.25 trillion—over \$2 trillion. The next year they went down about 2 percent, \$1.991 trillion. In the year just completed, the year 2002, the total revenues were \$1.853 trillion.

For the last 2 years, revenues combined have fallen by 9 percent. That is the first time that has happened almost in history. You might say why? Was that because President Bush was elected? No. There was a recession. There is a recession. It declined. That recession started, in my opinion, in March of 2000. The stock market started crashing in March of 2000.

So with great market devaluation, very rapid, in 2000, in 2001, and in 2002, it has had significant impact. Markets have gone way up and they have gone significantly down. Hopefully now we are starting to see some increases in the markets. But that is what has caused the big reduction in revenue. There is a recession. There has also been a war. There has been the terrorist attack.

I hope my colleagues will stick to the facts and say: We had a recession, revenues went down, what are we going to do about it? I guess some are proposing we could have tax increases. I don't think that would help the situation. Now most people are agreeing let's have some stimulus type of growth package. What can we do to grow the economy? The President said let's be profamily. Let's offer a per-child tax credit, eliminate the marriage penalty. I hope we will be successful. He's also said let's accelerate the existing rate cuts that were passed in 2001.

By doing that, he says, instead of just having another point reduction, a 1 point reduction in 2004 and another 1 point reduction or 2 point reduction in 2006, let's accelerate those and make them effective this year. And he's exactly right.

I hear this rhetoric from our colleagues: That only benefits the wealthy. Just a couple of comments are in order. If you look at the tax cuts we passed in May or June of 2001, on the low income tax cuts, we made those effective retroactively. We reduced the 15 percent tax bracket to 10 percent, and we didn't do it effective on the date of passage; we did it effective retroactive to January 1 of that year. We didn't do that for the other rates. We did it for the lowest rate. So everybody got a tax cut, they got 100 percent of the tax cut on the low-income side. If you were in a tax bracket that paid 15 percent, say you were an individual who had a taxable income of up to \$10,000, \$14,000, you were in a 15 percent

tax bracket up to \$22,000, we made that rate, in many cases, for a large portion of that, 10 percent, and we made it retroactive.

If you were in that category, you got 100 percent of the rate reduction tax cut and you got it retroactive. The upper incomes we didn't make a 5 point reduction in 1 year, we didn't go from 10 to 15. Upper incomes, all the other rates—all the other rates we moved down by one point. If you were at the 28 percent tax bracket, you went to 27; if you were 33, 32; if you were at 39.6, you went to 38.6. That is a pretty marginal rate reduction, for all the rhetoric we hear about class warfare and benefitting the wealthy, if you have a 1 percent rate reduction when you are wealthy and if you are lower income you got 5. The President said: Let's accelerate the remaining cuts for 2004 and 2006, make them effective January 16 this year—and he's right. At that point the highest rate on personal income tax, Federal personal income tax, would be 35 percent.

I know we will hear that benefits Warren Buffett or whoever, but the net result is you are going to have a lot of individuals paying 35 percent. Guess what the corporate income tax rate is. It is 35 percent. Why should individuals pay more than corporations?

I might mention, for about 70 percent of the people who are in the highest income tax bracket, they are businesses, small businesses. I used to run a small business. Why in the world should they be taxed at rates higher than big corporations? That's the present Tax Code. We need to change that. The President has proposed changing that and he's exactly right. Those are the companies that are behind most of the people in the upcoming years. If you want to grow the economy, let's have a rate that at least is not higher than for corporations, for individuals, for sole proprietors, for partnerships and others. That would make good sense.

I think the President has offered us some good packages. I mentioned small business. Small business would be able to expense up to \$75,000. The present law is \$25,000. I think Senator BAUCUS has proposed something similar to that. That is a good proposal. That is probusiness. That is pro small business. It will allow businesses to be able to expense items over a shorter period of time and they will make more investments. That will create more jobs.

I think we ought to stick to some facts and think about how we can grow the economy. I don't think we should be near as partisan as some of the rhetoric I have heard on the floor already. Usually we let the President submit his budget and his plans, but it is being denounced almost on a daily, almost an hourly basis by some of our colleagues.

I hope we tone it down and we look at the facts and we consider various alternatives. If people have different ideas, let's consider those. We can vote on different ideas. Let's try to figure out how we can get the maximum bang

for the buck in helping the economy, in growing the economy, in helping the most people. How can it be a long-term positive tax change?

So I hope the Senate will return to its great tradition. The Finance Committee has always been a bipartisan committee.

It was in 2001 when we passed the President's first tax bill. I hope and expect it will in 2003 under the chairmanship of Senator GRASSLEY. I hope our colleagues will say let's work together and let's tone down the partisan rhetoric that we have heard so stridently early in the year and work together to see if we can't do some positive things to help grow this economy and help a lot of people get jobs.

That is what the point really is—not pointing the finger and saying the recession really started in 2000. And it did. Let us try to figure out ways that we can grow the economy together—Democrats and Republicans doing something positive for our country.

I yield the floor.

THE PRESIDING OFFICER. The Senator from Idaho.

MR. CRAIG. Mr. President, I am pleased to see the chairman of the Budget Committee in the Chamber talking boldly and responsibly about getting this economy back on its feet and getting it moving. It is critically important that this Senate operate in the legal fashion that it was by law directed to do. I know what the chairman will do is produce a budget and a budget reconciliation process that will allow this Senate to be guided and directed not only in its expenditures but hopefully in providing for this country—and to the producer side of our country the type of incentives that the President has offered in a very bold move to get this economy moving again.

It is pleasing for me to see a President stand forth in a rather "Reaganesque" way and say let us grow ourselves out of this problem. Let us not dig ourselves deeper into a hole or a cave that ultimately will create a greater problem. How you do that is you create incentives for the worker and you create incentives for the investor to get out and create new jobs and to move the economy.

The President said it well when he offered his tax proposal—that he would not cave in to the rhetoric of class warfare. Yet from day 1 that is exactly what we have heard from the Pelosi-Daschle plan—a class warfare approach that really denies middle-income Americans, investor-Americans, and working Americans an opportunity to keep more of their money.

What did the Pelosi-Daschle plan really set forth? It was all a Government-related, a Government-oriented kind of plan. It talked about increasing Government expenditures for States and economic strategy that we already know has failed. If we can get this economy going, State governments are going to be much better off than they

were. Over the last 5 years, State governments were running with large surpluses. In so doing, they spent more. Now they are tightening their belts. Sure. Some State governments are worse off than others.

My State of Idaho is going to have to make some very tough choices this year between tax consideration and cutting some programs, or reducing some levels of increases. It will not be easy. But one way to solve that problem is for the Federal Government to write an even bigger check to the State. There are areas where we can help—areas where there is a Federal mandate for a State response. We ought to try to help some in that instance. But, clearly, to simply write them a check does not make a good deal of sense. I see no way that it stimulates the economy or that it solves the kind of revenue problem the Senator from Oklahoma was talking about. It does nothing to help us solve a much larger problem of the kind with which the President has proposed we deal.

What I find fascinating is this class warfare argument. And in what the President has proposed, the first Bush tax cut law in 2001, says the National Tax Foundation, effectively eliminated income tax for families of four earning less than \$35,000. That is simply the reality. If enacted, the new Bush tax proposal would eliminate 96 percent of the current income tax bill for families of four earning \$40,000.

Those are not rich people. That is a 96-percent tax cut as a percentage of tax liability on a family of four making \$40,000 a year.

What does the Daschle-Pelosi plan do? To my knowledge, it doesn't address it.

Take a \$50,000 family of four. That is not a big income. My guess is probably both mom and dad are working; that is, almost both working at minimum wage. What does it do for them? It reduces their tax on taxable money by 42 percent.

That is the Bush plan we are talking about—not the Daschle-Pelosi plan. That is a significant cut in lower middle income America.

What does it do for the rich, let's say a \$200,000 income a year. That is a pretty good income. You can live well at that—buy a nice home, provide for your children—not a great big home, not a multimillion-dollar home but a certain suburban-style home in which middle-income Americans enjoy living. Family of four, \$200,000; tax cut, significant, \$3,000, or a percentage of total liability, good, but it is only 9 percent on \$200,000. It was 96 percent on \$40,000—a significant difference there.

I say to my friends on the other side of the aisle before the Daschle-Pelosi tax plan rhetoric gets out in front of its headlights, they ought to look at the facts. These are the kinds of facts that any of us will find important to debate on the floor of this Senate.

I hope the Budget Committee recognizes the process and that the Finance

Committee stays as close as they can to the Bush tax plan.

I think that is the kind of process that turns this economy back on, that puts people back to work, and that creates the kind of long-term economic drive that the Reagan tax plan did in the early 1980s. They said it created great deficits. Deficits were created because Congress wouldn't quit spending, and wouldn't hold its job in line and be fiscally responsible. We have that job to do here now. We are going to have to tighten our belt to slow the deficit process down. But, of course, I think at the end of the year when we tally up the proposed expenditures versus actual expenditures and when we get that 2004 budget out, the folks on the other side who are talking now about class warfare rhetoric will have proposed tens of billions dollars more in spending. Why? Because of its political popularity and not because it will have actually been spent.

Those are some of the realities we are going to have to deal with here.

I am glad our President is bold—bold in saying to the American people: I am going to ask you to save more of what you have. I am going to give you the opportunity to keep more of what you earn. I hope you will invest it. I hope you will go out into the market and I hope that you as consumers will help turn this economy back on. That is what is fundamentally important.

Lastly, as it comes to double taxation of dividends, when you double tax, you tax them at a rate of nearly 70 percent. That is a phenomenally high rate. When you look at corporate income tax versus a tax on dividends, there are few companies paying dividends today. And why are they keeping large blocks of cash? Why do corporate executives get into trouble going out and buying companies they don't know how to run or don't fit the culture of the company they are currently operating? It is because they have big buckets of cash which they are not moving through to their stockholders. One of the real important reasons they are not moving it through is the double taxation environment.

When we talk about that particular part of the Tax Code being changed, what we are also talking about is corporate reform along with tax reform. I see nothing wrong with that. I see nothing wrong with those who save and invest and our seniors in America getting a large portion of their income from dividends being strengthened by that very reality.

I think the tax package that has been presented by our President is bold, yes, but balanced. As I have shown you with some of the figures that exist today coming from the Tax Foundation, it really goes at lower middle income America. When you can say to a family of four earning \$40,000 a year that we are going to reduce your taxable liability by 96 percent, friends on the other side, that is not the wealthy. That is working-class Americans. When you

say to a family of four earning \$50,000 a year that we are going to reduce your taxable liability by 42 percent, friends on the other side, those folks aren't rich unless you define "rich" much differently than the people of my State do. That is called responsibility in helping lower- to middle-income Americans keep more of their hard-earned dollars for the purpose of providing for themselves, for their families, and for the pursuit of the American dream.

I yield the floor.

The PRESIDING OFFICER (Mr. ALEXANDER). The Senator from North Dakota.

Mr. DORGAN. Mr. President, are we in a period of morning business?

The PRESIDING OFFICER. The Senator is correct.

Mr. DORGAN. Mr. President, I ask unanimous consent to speak for 25 minutes.

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

THE AMERICAN ECONOMIC ENGINE

Mr. DORGAN. Mr. President, there has been a generous amount of discussion this morning about the plan to put the economy back on track. I have been interested in listening to it. Some of it is interesting, some informative, some entertaining, some fiction, some right at the bull's-eye of the target. So it is interesting to try to sort it all out.

Let me give some of my perspective on it, if I might.

First, we had a colleague on the floor saying today, quite properly: The Federal Government does not create jobs. So if someone is saying somehow the Federal Government can create jobs, they are misinformed. It is not the Federal Government that creates jobs.

Well, that is true. It is the case that the Federal Government is not going to create 100,000 jobs next month. In a growing economy, jobs will be created by entrepreneurs, by people with capital, who take risks, who hire people, who rent the space, have the idea, create the product, and go market it. That is who creates the jobs. There is no question about that.

But it is also the case that the Federal Government creates the conditions under which an entrepreneur, someone with an idea, someone with the notion to build a manufacturing plant somewhere, can succeed. Because if we do not have a fiscal policy that helps create economic growth and expansion and opportunity, there will not be new opportunities for the people with the ideas on what we ought to do to expand and build.

I find it interesting that the only discussion we ever hear about on the floor of the Senate is the good deeds of those who invest the capital in this country. My hat is off to them. This country cannot work without investment. This economic engine cannot work without capitalism and risk takers. No question about that.