

many on this side of the aisle—and some on the other—we believe protecting the environment is an American value.

It is not a Democratic value or a Republican value, it is an American value. We cherish our God-given environment. We cherish our forests, our streams, our lakes, our oceans. We believe it is important we keep the air clean, the water clean.

We will continue to come to the floor and make the case that this is the most anti-environmental administration in recent history. It is amazing when we compare contributions of a Republican President, Teddy Roosevelt, a Republican President, Richard Nixon, a Republican President, George Bush 1—who, by the way, said we should test poor children for lead in their blood. That is important to find out if they are sick or healthy. If they have lead in their blood, we should take action. This President tried to repeal that rule until we called him on it and pointed out it costs \$13 a child and he stopped it. He tried to say we should not try to take arsenic out of water. We called him on it.

Mr. President, the state of the Union is anxious—*anxious* about the economy, it is anxious about jobs. It is anxious about a number of things: The possibility of war; it is anxious about a foreign policy that is in totally different directions where one country has inspections going on and we don't trust the leader of that country, we are ready to go against him, and another country has nuclear weapons and we are going to resolve that diplomatically. The country is anxious. They are anxious about the state of their environment. They do not want to have another Friday come and find out their rules for clean air, clean water, beautiful forests, are under attack.

I am here to say to the President: I know you are doing the last-minute rewriting of your speech. Think about what we are saying today. Democrats have come here in good faith to point out their differences. Reach out to us. Have a plan for the economy that is going to work. Say you will follow in the bipartisan traditions of environmental protection. Work with us on a foreign policy that is consistent and does not wait until a crisis hits but actually is proactive. Work with us on prescription drugs. Work with us so that people can get health insurance. We are ready, we are willing, and able to work with you.

I yield the floor.

The PRESIDING OFFICER. The Senator from Texas.

Mrs. HUTCHISON. Mr. President, it is my understanding we now have 1 hour from this minute under our control.

The PRESIDING OFFICER. The Senator is correct.

THE PRESIDENTIAL BURDEN

Mrs. HUTCHISON. Mr. President, the President of the United States has an

awesome responsibility. I don't think anyone in America would say that he does not realize what his responsibility is and that he is not working as hard as any person could to try to do the right thing for our country, in both our domestic agenda, our homeland security, and, of course, our national defense.

He has a heavy burden. He must do something that stimulates the economy, that puts people back to work, and at the same time he must spend everything that is necessary to secure the people in our country who live here and to make sure that our young men and women who are fighting the war on terrorism, who are fighting for our freedom and our country, wherever they may be in the world, have everything they need to do the job we are asking them to do.

I have been listening to a lot of the comments that have been made on the floor today. I would like to take each of the areas that have been mentioned and try to talk about what the President's agenda is and why he is trying so hard to beef up our economy, at the same time fighting a very long and, frankly, iconoclastic war on terrorism.

This is a new kind of enemy. It is not the kind of enemy that is one country or two countries. It is no particular country. It is not the kind of enemy we always have had one which wanted to kill or harm us but didn't want to hurt themselves. No, this is an enemy that is willing to blow itself up in order to harm Americans. It is even an enemy that would tell their children, teach their children, educate their children, that suicide, in order to harm Americans and freedom-loving people, is a good thing.

This is a difficult kind of war. Our President knows we are fighting on every front, that we are trying to find the enemy, no matter where they are. If they are in the caves in Afghanistan or if they are in Iraq or if they are in North Korea or if they are in our own country, the President is doing everything he can to execute this war and to tell the people of the United States we must stand together. We must stand together and keep the spirit of our country if we are going to have the patience and the resolve to beat this new kind of enemy.

That is what our President is trying to do. He doesn't want to make war. He doesn't want to make war on Iraq or anyone else. But he also knows that if we are going to keep another 9/11 from happening—God forbid a 9/11 with a nuclear weapon or biological or chemical weapon—if he is going to prevent that from happening in our country, he is going to have to have the full support of the American people. That is exactly what he is trying to get, by talking about the problems in Iraq, talking about what Saddam Hussein is doing.

The people who have seen Saddam Hussein, who have seen the treachery of this despot, know he is someone we must not have in control of a country and with the potential of having a weapon of mass destruction.

I know the President tonight is going to talk about the war on terrorism and all the things he is doing and all the young men and women who are on their way to the Middle East to make sure we are negotiating from a position of strength. But I know this President's very last resort is war. It is not the 1st resort, nor the 2nd resort, nor the 3rd resort, nor the 100th resort. But he knows that unless Saddam Hussein knows we mean business—we will do what we say we are going to do—we are going to lose this war on terrorism. That is the leadership the President of the United States is showing.

The President, in addition to the burden of having to prosecute a war, also has the burden of having to make sure our domestic economy stays strong, because it will be very difficult to prosecute a war if our domestic economy continues to erode.

We passed a tax cut 2 years ago under the leadership of President Bush and with strong support from Congress. That tax cut has helped a lot of people. I believe that tax cut kept us from going into a deeper recession. Now the President is trying to stimulate the economy, and the President is looking at history, and what has happened when we have had tax cuts in history has been phenomenal.

In 1964, President Kennedy led the fight for tax cuts. In 1965—1 year later—the gross domestic product rose 8 percent. Over the next 5 years, it rose 48 percent. Unemployment fell from 5.2 percent in 1965 to 3.5 percent in 1969. Five years later, revenues had risen for the U.S. Government by 66 percent. There was a \$5.9 billion deficit in 1965 but a \$3.2 billion surplus in 1969. That was the effect of the tax cuts of 1964.

After the Reagan tax cut of 1981, the gross domestic product rose 4 percent the next year, 1982; 42 percent over the next 5 years; unemployment fell from 7.6 percent to 7 percent in 1986. Five years later, revenues had risen by 28 percent.

So it has been proven that tax cuts will give the economy the boost it needs.

We have seen a situation in America where corporations have been dissuaded, because of double taxation of dividends, from giving dividends. So people who are saving and investing in order to have retirement security have been getting fewer and fewer dividends because companies get nothing for paying the dividend. They have to pay taxes on the money first before they would issue a dividend. It is cheaper to go into debt. So we have seen debt financing rise, and dividends that go to shareholders that can help secure retirement have been going down.

Today in America, 50 percent of the people own stock and 50 percent of the people who get dividends are our senior citizens. These are people who have tried to provide for their retirement security, not looking to their Government but looking to themselves. That is what we want to encourage. That is

why the President is trying to eliminate the dividends' taxes.

So we are trying very hard to stimulate the economy.

How are we doing it? We are doing it, of course, by trying to eliminate the double taxation of dividends, trying to encourage corporations to give dividends and help people who want to have that income to live on, who need that income. But we are also doing something else. We are trying to lessen the burden of the marriage penalty. Why would we have a marriage penalty in our country? We don't need to tax marriage, but that is what we do. And the President is trying to eliminate that. I have introduced the bill in the Senate to eliminate the marriage tax penalty.

We are also trying to bring down the tax rate for every bracket—yes, every bracket. Mr. President, 35 percent of the small businesses in our country will get relief if we lower the upper bracket. Everyone will get relief under the President's plan—everyone who pays taxes will get relief, and especially the small businesspeople in our country who desperately need this tax relief and are trying very hard to make ends meet in these tough times. We want to help them.

I think the President is doing a great job. I am very proud that he is trying to stimulate the economy. He is very concerned about people who have lost their jobs, people who are worried about their retirement security, and he is trying to do something about it. At the same time, he is taking on a massive war on terrorism, to make sure that freedom reigns in the world, to make sure that our way of life—democracy, freedom, free enterprise, self-reliance—lasts in the world—not a way of life that says that suicide is a good thing if you can kill other people at the same time, not a way of life that says people will never have a chance to have a role in their own government. There will be no self-government in a world of terrorism. We cannot allow that kind of power to take over the world. That is what the President is trying to do.

I yield the floor.

The PRESIDING OFFICER. The Senator from Utah.

Mr. HATCH. Mr. President, I compliment our distinguished Senator from Texas for the excellent remarks she has made about really what is going on right now and what the President is trying to do.

I, for one, want to help the President. I want to help him to help this economy. So I rise today in support of President Bush's growth and jobs plan, and I would like to take a few minutes today to tell you why I believe this is the right prescription for America at this time.

I know from talking to people in my own home State of Utah, and across the country, that our current economy is not meeting its full potential. This is crystal clear. The nationwide unem-

ployment rate stands at 6 percent. And while that is better than usual after a recession, it is still far too high. Thousands of people in Utah and millions of people across the country are out there looking for work. Yes, most of them are finding jobs eventually, but jobs are far too scarce still. As long as there are people who want to work but cannot get work, we have a problem in our country.

The President's plan starts off by speeding up the tax reductions this body has already passed by a significant margin. This is just plain common sense. A big part of the tax cut we passed in 2001 was designed to be phased in over the following 10 years, with rate cuts, marriage penalty relief, and child tax credits increasing every few years. But since our economy is below its potential right now, then right now is the time to make the full amount of these tax cuts effective. Doing so would put money in people's pockets immediately. The IRS would change their withholding tables immediately after the accelerated tax cuts become law, so more money would show up immediately in workers' paychecks.

The President's plan to speed up the tax cuts now, right when we need them, will have an immediate, visible impact on practically every American taxpayer.

A key part of the President's plan is to accelerate marriage penalty relief and speed up the \$1,000-per-child tax credit. Phasing in these family-friendly tax provisions slowly might have made some political sense 2 years ago, but today, when young families are wondering whether Mom and Dad will have a job next week, cutting the tax man's share of the pie will be a big help.

Waiting 3 to 5 years for family tax relief makes no sense in the middle of a slow economic recovery. Let's do it now. Let's provide a tremendous boost to millions of American families.

As to some of the media reports that the President's plan unfairly benefits the wealthiest people in the country and does little or nothing for low- or middle-income taxpayers, let me set the record straight.

According to the Treasury Department, a married couple with two children and an annual income of \$40,000 would see their taxes decline, under the President's plan, by \$1,133—from \$1,178 to \$45—in 2003.

In other words, under today's taxes, they would pay \$1,178. That would be reduced \$1,133 to where they have a tax bill of \$45. That is for people who make \$40,000 a year. For this family, there is not much more tax relief that can be given.

Under the Bush plan, 92 million taxpayers would receive, on average, a tax cut of \$1,083 in the year 2003 and thereafter. Forty-six million married couples would receive an average tax cut of \$1,716. Thirty-four million families with children would benefit from an average tax benefit of \$1,473. Six million

single women with children would receive an average tax cut of \$1,384. Twenty-three million small business owners would receive tax cuts averaging \$2,042. Talk about helping the middle class.

In my home State of Utah, over 646,000 taxpayers would get tax relief from the President's package. That is important to me. That is important to almost 650,000 people in the State of Utah.

Under our ultra-progressive income tax, the top 50 percent of income earners—those who made \$27,682 in the year 2000 or more—that upper 50 percent, from \$27,000 and up, paid over 96 percent of all the income taxes paid in this Nation.

Therefore, those who are paying most of the income taxes are naturally going to get much of the benefit of a tax cut. In fact, it is almost impossible to cut any tax without making the people who pay that tax better off.

Projections prepared by the Treasury Department show that 40 percent of the President's proposed tax cut would go to people with income over \$200,000 per year. But it is important to note that this same group is paying 44.8 percent—almost 45 percent—of the total income tax.

If we enact the President's plan, people making over \$200,000 a year will end up paying even a larger fraction of the Nation's income tax bill, 45.4 percent. On the other hand, people making less than \$50,000 would pay less of the total share than they do now.

Further, the President's plan contains an important provision to increase the incentive for small business investment. I might have made this provision even stronger than the President chose to make it. But even as it stands, the increase to \$75,000 per year of business expensing will be a boon to companies struggling to grow. It will increase the demand for business equipment and software, sectors that have been hit especially hard in this downturn. This proposal can help to revive business spending and create new jobs in industries that make machines, computers, and software.

I would like to debunk one particular false notion that is making the rounds here on Capitol Hill and in the media; the idea that lower income people spend all of their tax cut but the middle and higher income people will just save them.

It turns out that how much you earn does not have a night-and-day impact on the people's decision to spend. A recent study by the nonpartisan National Bureau of Economic Research concluded—and I quote—

Low-income households are not more likely to spend the rebate.

In fact, as this chart shows, it looks as though families with lower incomes actually tended to spend a smaller fraction of their rebate.

I will just point to this chart now. The modest income earners spent little of their rebates. Americans who earned

up to \$50,000 per year spent less than 20 percent of their 2001 tax rebate. But Americans who earned more than \$50,000 a year spent over 25 percent of their rebate checks.

It would appear to me rebates are not the way to go if we want to stimulate the economy. Yet that is what our colleagues on the other side seem to think is the gold standard to help get the economy going.

I would now like to address the part of the President's package that has drawn the most attention, the plan to end the double taxation of dividends. Ending the double taxation of dividends will make stocks more valuable, it will make businesses more financially sound, and it will make it harder for a few wrongdoers to hide their corporate shenanigans.

Why do America's corporations load up on debt financing despite the fact that the higher debt levels increase the risk of bankruptcy? I will tell you why. Because our Nation's tax laws have always given them massive financial incentives to do just exactly that.

The reason is simple. When a corporation pays interest to bondholders, that payment is taxed only once. That is at the bondholder level. But, in contrast, when it pays dividends to stockholders, that payment is taxed twice—to both the corporation and the shareholder.

President Bush's economic growth plan contains a proposal to end this absurd incentive and, by doing so, his plan will strengthen the foundations of our economy and help ensure growth and new jobs for years to come.

This chart—"How the Double Taxation of Dividends Harms Our Nation"—shows that bankruptcies go up, corporate accountability goes down, and investment in capital formation also goes down. And that is where jobs are thrown to the wind.

Our Tax Code's harsh and unfair treatment of dividend payments harms the foundation of our economy in those three ways. It increases the number of bankruptcies, it weakens corporate accountability, and it slows the formation of capital.

By loading up on tax-deductible bonds and bank loans rather than issuing new shares of stock, corporations increase their chance of going bankrupt.

Our Tax Code should not encourage this behavior. When corporations load up on debt, they commit too much of their cash flow to making interest payments, and the danger of bankruptcy becomes all too real. Once we change this policy, businesses will find they have people lined up out the door to buy stocks that pay dividends. When companies hear of the clamor for dividend-paying stocks, they will have a much stronger incentive to pay for new projects and new factories by issuing new shares of stock rather than running to the bank or the bond market for a loan.

And then, if times get tough, businesses will not be as likely to declare

bankruptcy and head to Federal court for a painful reorganization, as we are seeing today. Instead, many companies will be able to cut their dividend to shareholders, and continue business more or less as usual.

This is not speculation on my part. Just open up any textbook on corporate finance—books that are on the shelves of many an MBA—and you will see it yourself in black and white: Business managers are taught to weigh the benefits of tax-favored debt finance against the increased risk of bankruptcy. They even have a name for it. They call it the Trade-off Theory of Capital Structure. And it is caused by the double taxation of dividends.

Our Tax Code's inequitable treatment of equity also weakens corporate accountability. Dividend payments are cash-on-the-barrelhead evidence that a company is profitable.

While not a perfect measure by any means, it can be an important signal that a firm is solvent. As they say on Wall Street, "Profit is an opinion, but cash is a fact."

The Wall Street Journal reported recently that only about 30 percent of S&P 500 corporations pay any dividends at all. A crucial reason for this dividend drought is our Tax Code, which requires corporations to pay 35 cents in taxes for every dollar in profit and then, on top of that, requires taxpayers who get those profits in the form of dividends to pay personal income tax. The total government take, when state taxes are added, can exceed 70 percent. So what is the incentive to pay dividends—something we ought to be encouraging, rather than destroying.

Finally, our inequitable treatment of equity slows innovation and the formation of capital. The double taxation of dividend income cuts the flow of equity funding to all but the most promising investments. Good ideas go unexplored and promising investments go unfunded because they cannot guarantee enough after-tax profit to investors.

I believe it is important for Congress to eliminate the double taxation of dividends. It is important for our country and the stability of our business community. That is why I support President Bush's plan. By making shares a more attractive investment, his plan will boost demand for stocks and push up their value. By reducing the long-run risk of bankruptcy and encouraging companies to take on promising projects, it will be good for employees. And most importantly, ending the double taxation of dividends will make American corporations stronger, much more accountable, than they are today and more innovative in the years to come.

I am proud to be able to support the President's growth and jobs package, and I am looking forward to working with my colleagues on the Finance Committee, both Democrats and Republicans, to pass out a bill that give tax cuts to America's families, that

gives small businesses an opportunity to grow, and that end the double taxation of dividends to strengthen both our stock market and the financial foundations of American business. This is an economic agenda that addresses the needs of today as well as the challenges of the future. The American people deserve no less.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. THOMAS. Mr. President, we are in morning business, I believe.

The PRESIDING OFFICER. The Senator is recognized for up to 32 minutes.

STATE OF THE UNION MESSAGE

Mr. THOMAS. Mr. President, I have listened to some of the conversation that has gone on. Obviously, much of it has been pointed toward this evening's speech that we all look forward to from the President, the State of the Union, at which time he will outline at least some of his plans for the direction this country will take.

I am looking forward to it. The President has committed himself to going in certain directions. All of us understand that. All of us are in favor of the things the President wants to do. I suppose we have different views of how that might be done. That is the way it ought to be.

I do hope we don't spend all of our time simply criticizing; that we not use this as a sort of political fulcrum, but we really talk about the issues. No one could disagree with the notion that we are looking for ways to grow the economy and create jobs. Who can argue with that? No one. How you do it, yes, I suppose there are different views.

To strengthen and improve health care, certainly that is one of the issues all of us are faced with, whether it be Medicare, Medicaid, the CHIP program, or just general health care. We are all very much interested in it.

In my State of Wyoming, a rural State, we have a little different problem, but interestingly enough, we have problems the same as they do in Chicago or New York City. The cost, for instance, of liability insurance is higher in our State than it is some others, which is kind of strange. Nevertheless, we would all agree with the fact that we need to do something about that.

Obviously, the defense of our country against terrorism, the defense of our country against challenges overseas and security at home, no one disagrees. Again, we have different ways of doing it.

I would like to deviate from the issue for a moment to talk a little bit about—I guess, philosophically or in a broader sense—the notion of dealing