

of anthrax. Two envelopes directed at this very Senate Chamber, which were never opened, resulted in tragic loss of life by postal workers and others. That was just two little envelopes, not vials, not tons, which he possesses.

These are the threats that concern me. Time is not on our side. It is on Saddam Hussein's side. So I welcome the debate, if it is to come, and I hope those questions which I have posed today can be answered.

I yield the floor.

The PRESIDING OFFICER. The Senator from Utah.

TAX CUTS ARE NOT THE PROBLEM

Mr. BENNETT. Mr. President, throughout the day today there has been a lot of discussion of the President's State of the Union Message. I was interested in the comment that was in the press this morning that said the President gave two speeches.

The first one has been virtually forgotten. The first one was on our domestic issues, on our economy, on what we need to do to deal with some of our problems at home. I think the Senator from Virginia has appropriately and properly addressed the question of the second speech which had to do with Iraq, but since much of the rhetoric we have heard today has had to do with the deficit and attacks on the President's first speech, I will take a few minutes to go back to that first speech, that forgotten speech, the first half of the President's statement on the state of the Union, and talk about some economic impact of what would happen if we were to do what the President wanted us to do.

From the rhetoric we have heard today, all of our problems stem from one thing and one thing only, and that is the tax cut that passed very strongly in this Chamber and in the other body when the Presidency of George W. Bush began. If we had only not passed that tax cut, we would not have a deficit. If we had only not passed that tax cut, we would have enough money to fund everything. If we had only not passed that tax cut, somehow Medicare would be taken care of as far as the eye can see and Social Security would be secure forever. Everything stems from that terrible tax cut.

I remind us once again of a few fairly basic, fundamental truths.

We can choose, at least for a time, what level of expenditures we will have in the Federal Government. We can get carried away with our ability to make pledges for expenditures, and we can set the level wherever we want. We cannot choose, by legislative fiat, the level of revenue that will come to pay for that level of expenditure, because the level of revenue goes up and down as the economy prospers or falters.

I have seen examples of countries in Africa that laid out a budget of expenditures that was absolutely marvelous in all of the benefits that would come from their government spending on

this and that and the other thing. Anything that anybody wanted, the government promised to take care of them. But they discovered the fundamental truth I have just stated: They could set the level of expenditures pretty much where they wanted, but with their economy not producing any money their level of taxation came nowhere near the level of expenditure. We must ask ourselves, what is going to happen to the economy if the proposal that the President's tax cut be repealed should pass? That question was put to Alan Greenspan, the chairman of the Federal Reserve Board, and he answered in a way that requires a little careful attention, because some people picked up on his answer and said: Aha, Greenspan has said there will be no economic impact if the tax cuts are repealed.

This is what he actually said—I do not have his exact words to quote, but in effect he said the markets have already assumed the tax cut will stay and indeed will be made permanent. Therefore, there is no further stimulus to come out of these tax cuts.

So everybody says the tax cuts were not stimulative. However, he went on to say—and this paragraph they do not quote—if they were now repealed, the markets would react negatively. Having made the assumption that they will be permanent, the market would react negatively and the economy would be hurt.

I raise that bit of history because I ask this rhetorical question: If the market has already assumed the tax cuts and acted favorably and positively to that assumption, what would happen if those tax cuts were not repealed, as some people in this Chamber charge, but were produced more rapidly, accelerated, rather than repealed? I think the market would respond positively. Say our first assumption that says they are going to remain permanent is not only proven valid by this but we will have the permanence come more rapidly than we thought.

If the markets as a whole respond positively, if the economy as a whole responds positively, what does that do to tax revenue? It increases tax revenue so we can begin to have enough dollars to deal with the challenges of the expenditure side.

I am a member of the Appropriations Committee. I remember attending the conference on the final appropriations bill—not this year because this year we did not get one until the new Congress convened; we did not have a final conference at the end of the last Congress. It was the final conference the year before where Senator STEVENS came in and said this is the number that we have all agreed on for total appropriations and expenditures. It was substantially higher than the number where we began. He laid it on the table and said: This is the number. Even though it is significantly higher than we thought we would have and expenditures more than we thought, this is

where we will be. Mr. OBEY, the ranking member on the House side, said that number is not high enough.

The number was a very significant increase over the previous year, substantially more than the growth in the population, substantially more than any inflation, but that became the number. We finally passed it this way in order to get out, and then we started the next year.

At that period, Democrats were in charge of this Chamber and the spending went up significantly from that number. That is the new baseline. We have seen in this Congress attempts made to take that baseline even higher.

The most significant thing the President had to say about our long-term economic health in last night's speech had nothing to do with the tax proposals. The most significant thing he had to say is: My budget will hold the spending increase to 4 percent. If we can hold the spending increase to 4 percent after years of 7 percent and 9 percent, one on top of the other, to establish a very high baseline for further increases, it will be something of a miracle. But it will be far more important than all of the other rhetoric we have heard on the tax side. If we can't get the spending under control, we cannot under any circumstances raise the taxes to cover it. That is a fundamental truth that we should remember over and over again.

In concluding, I repeat something I have said here many times, but I have discovered in the Senate there is no such thing as reputation. Everything is said as if it is brand new. But it is a fundamental truth we should understand over and over again. Money does not come from the budget. Money does not come from legislation. Money comes into the Government from the productivity of the American economy. If we can make the economy strong, if we can make the economy grow, we will have the tax dollars that we need to pay for our expenditures. If we ignore the health of the economy and then get carried away with our desire to increase our expenditures, we will end up in fulfillment of the dire predictions we are hearing. That is not what the President is proposing, but what some of his opponents are proposing. I think the President was responsible in his first speech last night on the domestic economy. We ought to pay attention and act accordingly.

I yield the floor.

The PRESIDING OFFICER. The Senator from New Hampshire.

TERRORISM

Mr. GREGG. Mr. President, I rise to continue the discussion which was obviously laid forth last night in definitively strong terms by the President of the United States on the issue of our national defense and how we address the terrorism and the linkage between terrorism and the Iraqi situation. The