

Any stimulus plan ought to focus—if you are really trying to stimulate the economy—largely on tax cuts for middle- and lower-income families. The Bush plan does exactly the opposite. Over the next 10 years, those with annual incomes of more than \$1 million will get a tax break worth almost \$90,000 a year. That is \$900,000 over 10 years. Yet some middle-class families with incomes—by the way, middle class in New Jersey might very well fall into this category—\$75,000 to \$100,000 would get only about 2 percent of that tax break, about \$1,800 annually or \$18,000 over the 10 years. Consider people making between \$30,000 and \$40,000, which is closer to the \$27,000 median income for the U.S. as a whole, and that would be \$350 from the Bush plan.

We are looking at different segments of income earners and seeing what this actually means, and that is about four-tenths of 1 percent of the benefits going to \$1 million earners. It certainly does not jibe with trying to put the stimulus into the pockets of people who will turn around and spend it to stimulate the economy.

This is a hard sell. Consider the 25 million taxpayers who reported adjusted gross income of less than \$10,000. These are people worrying how they are going to put food on the table. They are 20 percent of all taxpayers, if you consider payroll taxes. What will they get? They will get a grand total of \$5 a year. Let's review: \$90,000 a year for people over \$1 million, \$1,800 for those with incomes of between \$75,000 and \$100,000, \$350 for those with incomes between \$30,000 and \$40,000, and \$5 a year for 20 percent of taxpayers below \$10,000 adjusted gross income. I don't know, it does not sound to me we are going to put money in the hands of people who will spend it.

This is not class warfare, it is how we are going to get an effective, efficient stimulus program; how do we get this turned around so the economy is growing. Businesses are taking inventories off the shelf and restarting their businesses to restimulate those inventory growths. We need to go back to the principle of the President, which is we want to promote prosperity for all Americans, and to do that, we ought to make sure that a program works.

I am not against people doing well in our economy. As a matter of fact, we made more millionaires in the 1990s with an entirely different proposal with regard to taxes and structure with regard to taxes than at any time in the history of America. Rising tides do lift all boats, and I think it is important that when we are thinking about our tax policy, we talk about how do we grow the total economy.

I think this program is focused in an upside down way completely ignoring payroll taxes, State, local, sales and property taxes, and the distribution of all of those taxes together on all these individuals, and we are getting too much of it going in one particular area.

The next type of Presidential rhetoric I want to address is in the admin-

istration's claim that the President's plan benefits seniors. The reality is very different. There are 37 million seniors. I think most people would agree with that number. Yet only about one-fourth of them, less than 10 million, receive dividends, according to the President. So 75 percent, or 27 million, of America's seniors will get absolutely nothing from the President's dividend exclusion.

Moreover, only a small fraction of the wealthiest seniors would enjoy most of the benefits. Nearly 40 percent of the dividend tax cut for seniors would flow to those filers with incomes exceeding \$200,000. That may be a high concentration of seniors in a lot of States, but I do not know too many seniors in New Jersey, 65 years and older, who have \$200,000 incomes.

That is a mere 2.5 percent of the tax returns filed by senior citizens. They get 40 percent of that so-called 10 million seniors benefiting from the dividend exclusion. It is less than 500,000 of the 37 million seniors that we are talking about. It can be cut and sliced in other ways, but we are talking about a very narrow segment of seniors in America getting the benefit from the dividend exclusion.

It is great rhetoric to claim that seniors will benefit, but the reality is it is a very small number relative to those who are doing well and have a great deal of wealth.

More fundamentally, the truth is this plan will dramatically increase Federal deficits in the long term, and the problem with that is, how are we going to continue to sustain our Social Security programs and our Medicare programs if we are running serious deficits and they are going to explode as the baby boomers retire in the outyears. So if one wants to put all of these programs together, as we talk about seniors, I think we have a real gap between the rhetoric and the reality of who is going to benefit and how this is going to benefit our economy.

I have some other examples with regard to small business. With most of the numbers we hear talked about, the rhetoric does not match the reality. I think there are a whole series of flaws with regard to that. I would love to see us go back on a bipartisan basis and talk about an immediate, temporary and substantial stimulus program more fairly distributed across the breadth of America, as suggested in the President's opening remarks last night as he talked about the economy. I think we could all benefit.

If there is growth in the economy, our deficits will be reduced. We will have greater resources to take care of the needs in this Nation. It is hard to understand, at a time when we are talking about going to war, when we are trying to ask people to sacrifice, that we have such an economic program so focused on those already doing well and doing so little to stimulate the economy. If one reviews almost all of the economic literature and com-

mentary, a lot of it from business, they will find many of the views are that this program has grave weaknesses as far as the stimulus program and needs to be rethought. I hope we can stand back, work together, make a serious effort to come together to produce an effective, efficient, bang-for-your-buck stimulus program, and get on with meeting those high-minded objectives that were part of the rhetoric.

The quality of life for millions of Americans depends on our success and being able to come up with that integrated, cooperative, and bipartisan approach. There are a number of great ideas on the table. I hope we can sit down and work together to make that happen.

I yield the floor.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. KYL. Madam President, it is my understanding I have until 4 o'clock to speak. Therefore, if I need a unanimous consent request for that I will pro- pose it at this time. If I do not, I will simply proceed.

The PRESIDING OFFICER. The Senator has the right until 4 o'clock.

#### THE STATE OF THE UNION

Mr. KYL. Madam President, I will speak about the President's proposals articulated last night in his State of the Union speech to ensure job creation and economic growth for the United States for the benefit of all American families, and for our future.

I note with interest some of the comments my colleagues have uttered. I will respond to some of those before I get into what the President said last night.

I noted that the Senator from New Jersey and other colleagues have been very quick to criticize the President, but I have heard absolutely no proposals emanating from that side of the aisle that offer an alternative to what the President has proposed. There is an old phrase that you cannot beat something with nothing, and I think that is true here. If they have a better plan, then I would like to see it. If they understand better than President Bush and his economic advisers how to ensure and sustain long-term growth in this economy, how to provide more jobs for American families, how to better protect the investments of our senior citizens and the like, then let us see those proposals.

It is easy to stand on the sidelines and criticize, but it is not as easy to present good, solid information and be willing to defend it. I am ready to defend what the President has proposed, and I would like to see those who have been critical come up with some ideas of their own rather than rhetoric.

Most of the people who have been critical of the President, especially if they are Members of the Senate, begin that criticism by noting the President's proposal, in their view, will increase the deficit and they regard this

as a most serious sin. Virtually every one of these critics voted last week for \$502 billion more in new spending for the fiscal year 2003 by virtue of supporting amendments that were offered to the fiscal year 2003 omnibus appropriations bill. They cannot have it both ways. They cannot argue on the one hand they are very concerned about deficits, about not having a balanced budget, and on the other hand vote over and over again last week to increase spending above what the President has proposed, above what the Appropriations Committee has proposed on the floor, by over a half of a trillion dollars in 1 year. Compound that spending over time and, of course, the growth is exponential.

The bottom line is the critics of the President's plan, A, need to come up with a plan of their own if they are going to be credible and, B, if they are going to be credible about concern over the deficit then they should recant the votes they cast last week over and over again for over half of a trillion dollars in new spending above what the appropriations bill called for and that we all supported.

Let's look at the specific criticisms they make. I note that almost all of them say the President needed to pay more attention to the needs of States. This is a curious argument. It is true that almost all States are suffering from lack of finances to serve the needs of the people of the States. That is true in my State as it is in other States.

There are a lot of reasons for that. First of all, the Federal Government imposes some unfunded mandates. That is not fair or right. The Federal Government should make up for those, but that does not explain the whole problem. The problem of State and local governments is essentially the same problem the U.S. Government faces: Namely, the economy is not as robust as it should be, as we would like it to be, as we hoped it would be. Therefore, it is producing less in the way of tax revenues.

In the case of the United States Government, we can relatively easily go into debt. States cannot do that. As the distinguished Presiding Officer knows from her experience in State government, you have to pay as you go in State government. So they are hurting because the economy is not as strong. People are not making as much money, and the States are not collecting as much in tax revenues as they had projected. So they are in a deficit situation.

What do we do about that? What is the Federal Government expected to do about it? Should the Federal Government tax American citizens even more, bring the money back to Washington and then write 50 checks to the States and send it back? How would that help the people who have just had the Federal Government take their tax dollars, then write a check back to the States? I do not see the logic of that.

States can raise their own taxes. If raising taxes is the answer, they all

have the capability of raising taxes much more quickly than the Federal Government does, and of collecting that tax revenue because they can do it in sales taxes so that the effect is immediate. They do not need to wait for a whole year for income tax collections, which is the Federal Government's means of financing to catch up with revenue needs.

I found it interesting that the Senator from New Jersey said the President's plan ignored sales taxes and property taxes. Rightly so. Those are taxes traditionally left to the States to fund needs of State governments—not the Federal Government. Woe be to the Senate and the House of Representatives if we begin collecting sales taxes and property taxes as a means of financing the Federal Government. Woe be to us. That is not right.

States and local governments can raise those taxes if they want. The reality is most of them are not going to do it. They understand, as most of us understand, that taxing people more does not make them better off. It does not help to collect taxes at the State and local level and provide benefits to the very same people who paid the taxes.

What does make sense? What has always made sense in the past? If the economy grows, it will create jobs, it will produce more wealth for American families and, at the same time, more tax collections to the governmental entities that collect taxes.

The Federal Government's problems are primarily a result of a sluggish economy. It was pointed out yesterday in the confirmation of the President's nominee for Treasury Secretary that just a 1-percent difference in growth in our economy from 3 percent to 4 percent means—I hope this figure is correct—\$8 trillion over a 10-year period. That is a lot of money. It illustrates the fact that very small measures of growth differential can mean a great deal in tax collections for both the Federal Government and the State government.

If we can encourage economic growth on a sustained, long-term basis, we will not have to worry about balancing budgets or about deficits or the financial straits our States are in. A healthy economy not only helps families but it also helps the State and local governments and the Federal Government collect the necessary tax revenues to provide services.

Therefore, when critics—such as Governors—say the President ignored the States, I guess I put the challenge back to them: Do you think the Federal Government should raise taxes from your citizens so you can give it back to them? If so, why don't you raise the taxes?

Tax increases are not the answer. Almost all would agree that a robust economy is the answer. How do we get to a robust economy? The Senator from New Jersey is correct that there is not that much economic stimulus in

this current fiscal year in the President's proposal. He identified about \$34 billion worth. I cannot contest that figure. It may well be correct; I don't know. In any event, it was \$34 billion more than the Democrats proposed because they did not pass a budget for fiscal year 2003, provided no tax relief for fiscal year 2003, provided no way to stimulate the economy, provide economic growth or job creation.

It was the Democratic Party that was in control of this body last year. I guess it could be fair to say that \$34 billion is not enough, but it certainly beats what the Democratic leadership was able to produce last year, which was exactly nothing.

Is the answer a stimulus? It is hubris in the first degree to suggest that the Congress—in fact, the Government—can really affect a multitrillion-dollar economy very much in a rapid way by the policies we institute here. We can do far more to help the economy, as Alan Greenspan has said, by curbing our appetite to spend taxpayer money than almost anything else we do. Yet my Democratic friends last week were willing to spend over half a trillion more than the appropriations bill provided and that the President had requested. I don't think they are in a very good position to argue about the proper prescription here for economic growth.

The reality is the best way to promote economic growth is to reduce the tax burden of American businesses, small businesses, and American families. That is what President Bush has attempted to do in the proposal he has made. Does he pretend that in 1 year we can turn everything around? No. As he said last night, if the tax relief we passed a year and a half ago, which was phased in over time, is good in 5 years, 6 years, 7 years, why is it not even better to make it effective now? If my friends on the other side of the aisle are so concerned about doing something now to stimulate the economy, then I challenge them, let's make the tax reductions we passed a year and a half ago, that were phased in over a 10-year period of time, effective now. That would do a lot of good. It goes up and down the entire spectrum of American taxpayers, from those who are the wealthiest all the way down to those who are the least wealthy.

Interestingly enough, those small businesses that create most of the jobs in this country—and we are very interested in job creation—would benefit significantly because they are organized under our laws to pay taxes at individual tax rates. For the most part, their tax rate is higher than the corporate tax rate. So the small businesses we are trying to encourage are paying a higher rate of taxes than the big corporations. I ask, is that fair? Is it a way to stimulate job creation, given they provide more of the jobs in the country than the large corporations?

Let's look at the President's program in more detail. Some on the other side

of the aisle have been very critical of the dividend section of the President's proposal, the part that says it is fair to tax dividends once when the corporation makes the profit but it is not fair to turn around and tax the dividends a second time when they are paid to the shareholder. It is a matter of basic equity and fairness and makes common sense.

But there are some who say, for some reason or other, that is not a good idea. One of the arguments is that eliminating the double taxation of dividends gives money to shareholders. As my friend from New Jersey said a moment ago, that may be nice for the folks who receive it—meaning the deduction for dividends paid by corporations—but does it do much to help the economy?

Let's break that into two parts. It is nice for the people who receive those dividends. Now, over half of the adults in America are investors in equities. Half of Americans are stockholders. A large number of those will receive a benefit by not having their dividends taxed when the corporations pay the dividends to them.

The President's object is not to provide for consumer spending. It is not to increase consumer spending. That is not the problem with our economy now, but to increase capital formation, which is the problem. For confirmation of that, the White House has provided some information comparing personal consumption expenditures with private investment. The top line, which is personal expenditures, is going up from \$6 trillion to \$7 trillion in just over a 3-year period. Consumer spending is not the problem. The problem is this squiggly line down here, capital formation, gross private investment. Gross private investment has actually decreased from just after the year 2000, from \$1.8 trillion to currently \$1.6 trillion. The problem is the need to enhance investment, not to deal with personal spending.

The dividends being taxed today are not going into reinvestment, into business. But the President's proposal is to encourage this reinvestment by eliminating the double taxation of dividends. This attracts billions of dollars of new investment to the economy since increasing the aftertax returns to capital will make new investments sufficiently profitable to be undertaken. Reducing the tax on dividends should raise share prices by many times the amount of additional annual dividend payments. The more real earnings a company has, the more willing the managers are to pay dividends and the more the share prices increase—prosperity for everyone.

Moreover, what is lost on some critics: To eliminate double taxation, this harmonizes tax treatment of debt and equity. We have been too favorable to debt creation in the corporations, so some major corporations have gone into bankruptcy because they created so much debt. As soon as we had a downturn in the economy, they could

not handle the repayment of all that debt. We ought to promote less debt capitalization of businesses and more equity capital.

Harmonizing the tax treatment of debt and equity removes the current tax preference for financing business expansions with debt. Debt is more risky because, while dividends can be reduced or eliminated during difficult economic times, companies that finance with debt must continue to pay the interest regardless of the economy. That is what leads to the bankruptcies.

In addition, eliminating this double taxation of dividends will encourage better corporate behavior. We certainly understand the need for that, given some of the shenanigans that occurred during the last few years. Companies that pay dividends must have real cash earnings rather than possibly doctored paper earnings—which was the case with some corporations over the last few years.

It will help create new jobs. The main beneficiaries of the increased investment activity will be the workers who are employed to use the additional capital and the consumers who get to enjoy the cheaper products and services that it makes possible.

I mentioned that it is simply unfair to tax the same income twice. We sometimes forget that basic argument when we are talking about all the good reasons to eliminate the double taxation of dividends, but in practice I think we all appreciate that double taxation of dividends means that even an investor of modest means is paying a higher tax rate on dividends that wealthy taxpayers pay on their income.

What about this distribution of benefits? Roughly 35 million American households receive dividend income that is taxable, and will directly benefit under the President's plan. So this is not something that just benefits a few—35 million American households receive dividend income that is taxable and will directly benefit as a result of the President's plan.

Almost half of all savings from the dividend exclusion under the President's plan would go to taxpayers 65 years and older. The average tax savings for the 9.8 million seniors receiving dividends would be \$936. To the argument that this dividend savings only goes to a very few, the point here is that the average will be almost \$1,000 per senior receiving the tax break on the dividends.

It seems to me it is very difficult to argue that eliminating this double taxation of dividends is bad for seniors, bad for shareholders, or bad for the economy.

Let's talk about the other aspect of the plan, though, the major piece of the plan that the President spoke to last night and that is the benefit of accelerating the marginal rate reductions.

What do we mean here? We are talking about the income taxes that we

pay. Depending upon which bracket you are in, you pay a higher percentage of your income in taxes. We decided a year and a half ago to reduce those rates but we couldn't get the votes to reduce them all immediately, so we phased them in over time. We phased those reductions in over a 10-year period of time.

Last night the President said, look, if it was a good idea to reduce the tax rate 6, 7, 8 years from now, why isn't it an even better idea to do it right now?

I ask that question of my colleagues who oppose this. Why is it not a better idea to do it right now?

Some of them might say that will cost the Federal Treasury money. My response to that is, Why did you vote for an additional \$502 billion in spending? That also takes money out of the Federal Treasury.

Let's just talk about this marginal rate reduction in terms of economic growth potential. This is where the economic growth really occurs, because reducing marginal tax rates provides an ongoing incentive for all taxpayers to work harder and longer, which is what creates the increased economic activity that we seek. It also creates additional income which can be taxed, so Government ends up making more money in the long run. Most importantly, it allows taxpayers to keep more of their own money, which they can use to invest or spend or save as they choose.

When we talk about savings, we are really talking about investing. So regardless of how this money is used, it will benefit economic growth. If you save it, you put it in a bank and the bank immediately turns that money around, loaning it to others, and that will put the money to use creating more jobs. If you spend it, it is going to eventually find its way back into the capital market and help create jobs. Of course if you invest it, that is the most efficient way of all to provide capitalization to companies to hire new people and produce new things.

I spoke before about small businesses and the benefit of the President's tax plan for small businesses. Reducing the top rate primarily helps these small businesses. The current top individual rate is 38.6 percent. That is the rate at which most small businesses are charged. The top corporate rate is 35 percent. So the small businesses are paying over 3.5 percent more in their income tax rate than the big corporation. Accelerating these rate reductions to the year 2003 will harmonize the small business income tax rate with the corporate rate. That is fair. It is equitable. It is the right thing to do, and it will stimulate economic investment and job creation because, as I said before, it is small businesses that create most of the jobs.

The small businesses would receive about 79 percent, which represents over \$10 billion, of the \$13.3 billion in tax relief that comes from accelerating the reduction of the top bracket to 35 percent in the year 2003, as opposed to the

year 2006. That is why the President said let's bring that reduction forward 3 years and provide this benefit immediately.

There is another benefit for small business that has not been talked about much. The President's proposal would increase from \$25,000 to \$75,000 the amount that small businesses may expense each year, that is to say that they can write off in their income taxes. There is broad bipartisan agreement that allowing small businesses to expense a larger amount of their investment in equipment will provide a strong incentive for small business to expand. As I said, these are the businesses that provide most of the new jobs in our country.

Let me conclude by talking about this class warfare. The previous speaker said he didn't want to talk about class warfare but immediately got into the same argument about who benefits. He also acknowledged something that is very true. John Kennedy is famous for saying, back in 1963 when he was proposing a capital gains tax reduction and people pointed out that there were not very many people who had capital gains, President Kennedy said:

But a rising tide lifts all boats.

If some taxpayers benefit, in the long run all taxpayers benefit. That is an acknowledged principle of economics.

One ought not be asking why do you get a \$3,000 benefit from President Bush's tax proposal and I only get a \$1,500 benefit? But rather, they should say, I am glad I got the \$1,500 benefit and I am glad you got the \$3,000 benefit, because for all of it is going to make the economy healthier and in the long run it will make us all wealthier. That is the attitude, fortunately, most Americans have.

According to the IRS data from 2000, the top 5 percent of tax filers paid more than 50 percent of all income taxes, and the top half of all tax filers were responsible for nearly all of our taxes, 96 percent.

Who ends up paying a higher percentage or lower percentage after all of the Bush tax plan is put into effect? It turns out that the wealthier people end up paying an even higher percentage of taxes and the people in the lower brackets pay an even smaller percentage of taxes. So it does not help the wealthy at the expense of the poor. In fact, if you want to just measure it by that measure, the wealthy pay even more of the taxes than they do today.

If your income is over \$200,000, you are going to be paying 45.4 percent of all of the Federal income taxes. Currently, they pay 44.8 percent. So that is an increase in the amount of taxes that are going to be paid by people who make \$200,000 or more. If you are making above \$100,000 and less than \$200,000, you are going to be paying 27.9 percent of all Federal income taxes. Currently, you pay 27.6 percent—an increase.

Under the Bush plan, families with incomes of over \$100,000 would end up paying 73 percent of all Federal income taxes.

By the way, it takes 3.8 million low-income taxpayers off the tax rolls completely, the Bush plan does. So it is not even an effective rebuttal to say it benefits the rich at the expense of the poor.

I have gone through all the different arguments. We talked about where is the alternative. We talked about the benefits to the States. We talked about the benefits to families. I haven't even talked here about the child tax credit or the marriage penalty elimination. All of these features of the Bush plan are designed in one way or another to help different parts of our economy, different types of families in America, so at the end of the day everybody benefits.

It is possible to pick out one little segment of the tax cuts proposed by the President and say that does not benefit everybody. Of course. If you don't have any children, the child tax credit isn't going to help you. But for those families with children, it is going to help a lot. Same thing if you are two single people; ending the marriage penalty might not help you. If you are a married couple, you might get the benefit of that. But you put it all together and end up with a mosaic that provides not only help to all Americans but an economic long-term growth package that can sustain the kind of living we want in this country, while providing the kind of revenues to State and local governments as well as the Federal Government.

That is the philosophy of the Bush tax plan. It is a good philosophy, and I look forward to a robust debate with my colleagues who may disagree with portions of that plan. It is a very defensible plan, and I am proud to support what the President has proposed here.

I hope we will have plenty of opportunity to debate this in the near future so we can enact all of the President's proposal as soon as we possibly can for the benefit of the American economy but, more importantly, all American families.

#### EXTENSION OF MORNING BUSINESS

Mr. KYL. Madam President, I ask unanimous consent that morning business be extended until 6 p.m., with the time equally divided between the two leaders or their designees.

Mr. REID. Reserving the right to object, Madam President.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Madam President, I understand the leader wants to go out at around 6 o'clock tonight. As far as the Democratic time is concerned, I would like 25 minutes allotted to Senator BYRD, who wishes to speak now, but during the remainder of the time, without any specific designation as to when it starts, I would ask unanimous consent that 20 minutes of our time be given to Senator KENNEDY, 7½ minutes to Senator SCHUMER, and 7½ minutes to Senator FEINSTEIN.

The PRESIDING OFFICER. Does the Senator modify his request?

Mr. KYL. I revise my unanimous consent request to incorporate what Senator REID has just requested.

The PRESIDING OFFICER. Is there objection to the modified request?

Without objection, it is so ordered.

Mr. KYL. I thank the Chair.

Mr. REID. I appreciate the courtesy of my friend from Arizona.

Mr. BYRD. Madam President, has the able Senator from Arizona relinquished the floor?

Mr. KYL. I have indeed.

Mr. BYRD. I thank the Senator.

The PRESIDING OFFICER (Mr. CORNYN). The Senator from West Virginia.

#### IRAQ

Mr. BYRD. Mr. President, President Bush last night warned the American people to brace for war with Iraq. In his State of the Union Address, he vowed that if Saddam Hussein does not disarm, the United States will "lead a coalition" to disarm him.

Although the President stopped short of a declaration of war, his message was clear: In his view, Saddam Hussein constitutes an imminent danger to peace and security in the world, and the United States is prepared to wage war, with or without the support of the United Nations, to remove him from power. The chain of events that President Bush set into motion last year when he inducted Iraq into what he called the "axis of evil" appears on the verge of spilling over into battle and bloodshed.

The President's remarks come amid a firestorm of protest from some of our closest allies in Europe and the Middle East over the apparent willingness of the United States to ride roughshod over the United Nations and dictate to the rest of the world the terms of Iraq's disarmament. The President in his State of the Union speech once again made clear that Iraq will be dealt with on his timetable, at his hands, according to his agenda.

Mr. President, I am fully cognizant of the danger presented by the possibility of chemical, biological, or nuclear weapons in the hands of a ruthless dictator like Saddam Hussein. I am fully cognizant of, and frustrated by, the fact that Iraq has consistently flouted the United Nations mandates to disarm, and has apparently shown only token cooperation with the current inspection regime. Iraq has much to answer for, and the President is correct in demanding that Iraq respond to the United Nations.

What concerns me greatly, however, is that this President appears to place himself above the international mandates of the United Nations. He has turned a deaf ear to the concerns of other nations and has vowed that the United States will lead an assault on Iraq regardless of the judgment of the United Nations. President Bush has