Many questions have been raised in recent months about our policy moves on Iraq, Korea, and elsewhere. Concerns have been raised about our proclivity to proceed unilaterally; about a rising tide of anti-Americanism overseas; about the risk that the focus on Iraq has reduced our focus on the war against terrorism, which has to be fought and won here at home as well as overseas; about whether our refusal to talk directly with the North Korean regime as urged by our South Korean allies may be undermining our interests in that area of the world; and about the degree of our commitment to rebuilding Afghanistan and the possible consequences of a similar lack of follow-through in Iraq.

I share many of these concerns. I believe that America is at its strongest and best when we make common cause with other nations in pursuit of common goals. I believe that the path to a safer world and a more secure America rarely comes from a go-it-alone approach. Specifically, I believe that, in the absence of an imminent threat, it is in our interest to have a U.N. resolution authorizing member States to take military action before initiating a pre-emptive attack against Iraq.

If there is any chance of disarming Saddam Hussein without war, it is for the United Nations to speak with one voice. And if military force is used, the best way of reducing both the short-term risks, including the risks to U.S. and coalition forces, and the long-term risks, including the risk of terrorist attacks on our people throughout the world, is also a U.N. resolution authorizing the use of force.

Supporting U.N. inspections is an essential step if we are going to keep the Security Council together. We can show support for those U.N. inspections by sharing with the U.N. inspectors the balance of our significant intelligence information about suspect sites, by quickly getting U–2 aircraft in the air over Iraq without conditions and with or without Saddam Hussein's approval, and by giving the inspectors the time they need to finish their work as long as the inspections are unimpeded.

Yesterday, I talked about statements by the administration that all useful intelligence information in our possession has now been shared with the U.N. inspectors.

Condoleeza Rice told us that at the White House 10 days ago. George Tenet told us that at an open Intelligence Committee hearing two days ago. They were in error. Director Tenet acknowledged yesterday here that we still have information and will be sharing it.

The premature declaration that we've already shared all useful intelligence makes us seem excessively eager to bring inspections to a close.

Top administrative officials from the beginning said inspections were useless and that inspectors couldn't find anything without Saddam showing them where it was.

Well, that's what he is supposed to do, but there's at least a chance inspections will prove useful even without his cooperation. Inspectors caught him in lies about his biological weapons program in the '90s. And in this morning's paper it appears they are catching him in lies about the range of missiles he's developing.

Another way to support the inspectors is to back up their request for U–2 surveillance planes, with a U.N. resolution that any interference with them by Saddam Hussein would be considered an act of war against the United Nations.

During the State of the Union speech, President Bush noted that ''Iraq is blocking U–2 surveillance flights requested by the United Nations.'' Secretary Powell, during his address to the U.N. Security Council a week ago noted that ''Iraq also has refused to permit any U–2 reconnaissance flights that would give the inspectors a better sense of what's being moved before, during and after inspections.''

Indeed the New York Times on January 30th quotes a senior White House official as describing Iraq's refusal to allow the U–2 surveillance flights ''the biggest material breach of all, so far.''

I met with Dr. Blix and his staff in New York on January 31st. They told me that U–2 flights would be very useful because of their ability to observe large areas of Iraq and to loiter for extended periods of time. U–2 flights would be particularly helpful to track trucks that appear to be moving items from one suspicious place to another, and to track mobile labs. Satellites can't track suspicious vehicles; U–2s can.

For this reason, I was astonished to read on Tuesday that State Department spokesman Richard Boucher characterized what appears to be an agreement to implement U–2 flights as nothing ''worth getting excited about.'' If Iraq's refusal to allow U–2 surveillance flights is cited by the President and characterized by the White House as ''the biggest material breach of all,'' if Secretary Powell is right when he says that U–2 surveillance flights would give the inspectors a better sense of what's being moved before, during and after inspections, then minimizing their usefulness at this point can only be explained as further disdain for the inspections effort.

It may be unlikely that inspectors will catch Saddam with the goods without his cooperation. But it's at least possible and we should increase that possibility by sharing all our useful intelligence and using the U–2s.

Supporting the inspectors in these and other ways is not inconsistent with the position that administration has correctly taken that the burden is on Saddam Hussein to show where the prohibited material is or what he's done with it. The fact that he hasn't carried his burden is undeniable. But how best to deal with his deceit and deception is still ours and the world's challenge.

There is unanimity around here about one thing at least: all of us and the American people will stand behind our uniformed forces if they are engaged in military conflict. Should they be so engaged, we will provide our men and women in uniform with everything they need to ensure that they prevail promptly and with minimal casualties.

Mr. LEVIN. I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

CONGRESSIONAL BUDGET FOR THE U.S. GOVERNMENT FOR FISCAL YEAR 2004

The PRESIDING OFFICER. Under the previous order, the clerk will report.

The assistant legislative clerk read as follows:

A concurrent resolution (S. Con. Res. 23) setting forth the congressional budget for the United States Government for fiscal year 2004 and including the appropriate budgetary levels for fiscal year 2003 and for fiscal years 2005 through 2013.

The Senate proceeded to consider the concurrent resolution.

Mr. NICKLES. Madam President, I ask unanimous consent that the staff of the Senate Budget Committee named on the list I send to the desk be permitted to remain on the Senate floor during consideration of S. Con. Res. 23 and the conference report thereupon, and the list be printed in the RECORD.

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

The list is as follows:

SENATE BUDGET COMMITTEE STAFF

AMDUR, Rochelle, ANGELIER, Amy, BAILEY, Stephen, BAYLOR, Lauren, BRANDT, Daniel, P., III, CHEUNG, Rock E., DUCKWORTH, Cara, ESQUEA, Jim, FELDER, Beth (Chief Counsel: Full Access Pass), and FLOYD, Ronnie.

GALVIN, Timothy, GREENWOOD, Lee A., HEARN, Jim, HERNANDEZ, Jody, full access (by UC), HERSHON, Lawrence, HORNEY, James, full access (by UC), HAUCK, Megan, HUGHES, Stacey, full access (by UC), JONES, Michael, and JONES, Rachel.

KENT, Don, KEOGH, Erin, K., KONWINSKI, Lisa (General Counsel: Full Access Pass), KUEHL, Sarah, LAVINE, Jessie, MARSHALL, Hazen (Staff Director: Full Access Pass), MYERS, David, NAGURKA, Stuart, and NAYLOR, Mary (Staff Director: Full Access Pass).

NELSON, Sue, full access (by UC), NOEL, Kobye, NOLAN, Tim, O'NEILL, Maureen, ORTEGA, David A., OSTERBERG, Gayle, OSWALT, Anne, PAPPONE, David, PHILLIPS, Roy, POSNER, Steven, and PRICE, James Lee.

REIDY, Cheri, RIGHTER, John, RUDESILL, Dakota, SEYMOUR, Lynne, STEWART, Margaret Bonynge, STRUMPF, Barry, TAYLOR, Robert, WINKLER, Jennifer, and WOODALL, George.

Mr. NICKLES. Madam President, I ask unanimous consent that the following floor staff members, two from my staff and two from Senator CONRAD's staff, named on the list I send to the desk be given ''all access'' floor passes for the Senate floor during consideration of S. Con. Res. 23: Stacey Hughes and Jody Hernandez from the Republican staff, and Jim Horney and Sue Nelson from the Democratic staff.

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

Mr. NICKLES. Madam President, I ask unanimous consent that the presence and use of small electronic calculators be permitted on the floor during the consideration of the fiscal year 2004 concurrent resolution on the budget.

The PRESIDING OFFICER (Mr. BURNS). Without objection, it is so ordered.

Mr. NICKLES. Mr. President, today we will be considering the budget resolution, S. Con. Res. 23, a resolution for fiscal year 2004—actually, 2004 through fiscal year 2013. I urge my colleagues to seriously consider this resolution.

I will readily say it is not perfect. It is a result of a lot of work from individuals on both sides of the aisle who considered and put this resolution together.

We had a 2-day markup in the Senate Budget Committee. We had 20-some-odd votes. And I thank my colleague Senator CONRAD for his cooperation that we were able to finish and conclude the resolution we are now reporting to the Senate this week.

This resolution has a lot of provisions in it. It provides for how much money we are going to spend, how much money we are going to tax, how much money we are going to take in. It also has a few other provisions in it, and I will go into those in a moment. It is most important that we pass a budget resolution. We have passed budget resolutions every year since the enactment of the Budget Act in 1974, except for last year when we did not get it done. I am not throwing complaints at anybody. I think it is vitally important, if Congress is going to get its work done; that we pass a budget resolution; that we tell the appropriators how much money they are going to spend; that we tell the Finance Committee and the Ways and Means Committee how much money we are going to spend on Medicare; that we set the outlines or the framework on the size of government; that we tell the Finance Committee whether they should have a growth package.

In this resolution, we do call for a growth package. It is similar or identical to the number that the President requested. Actually, I think the President requested a number of about $670 billion for the growth package. The Committee on Joint Taxation scored it and said it is $725 billion. That is what we have in our resolution. It is a resolution that says we want to figure out how we can grow the economy.

It is vitally important that we do grow the economy, and I will make a couple of comments about that. We have inherited a very difficult situation. We have very large deficits. Some people might say that was caused by President Bush's tax cut in 2001. I say that is not the case. The very large deficits that we have, have primarily happened because we have had a precipitous decline in revenue, and that decline in revenue was not because of the tax cut, it is because the economy has been very soft, because a lot less money is coming into the Federal Government, both on personal income tax and corporate income tax.

The chart behind me shows that in the year 2000, the Federal Government total receipts were over $2 trillion—actually $2.025 trillion. In 2001, that declined about 2 percent to $1.9 trillion. It was $2 trillion, and then $1.9 trillion. Last year, it declined to $1.85 trillion. That is a reduction of $175 billion over that 2-year period of time. That is a reduction of 9 percent.

Because of that reduction in revenue and because of an increase in expenditures, expenditures went from $1.8 trillion in 2000 to $1.86 trillion, to last year over $2 trillion. So spending went up by about 12 percent and revenues went down by 9 percent. That kind of intersection meant we went from a surplus of $127 billion in the year 2001 to a $158 billion deficit in the year 2002. So we went from a surplus of $127 billion to a deficit of $158 billion in that period of time because revenues have gone down and expenditures have gone up. It is about that simple.

One might say, why? Well, let's look a little bit more at the economy. There has been a very precipitous drop in the stock market, well beyond what our computers were able to estimate as to what is the flow going to be, what does this mean in actual revenues that will come in to individuals, both in capital gains and also in personal income tax.

This gives an example. Nasdaq, which peaked in March of 2000, was down. It was almost 5,000. I believe it did hit 5,000 in March, went down to 2,500 or 2,600 by the end of the year 2000—almost a 50 percent reduction in the last 9 months in the year 2000. It continued to decline somewhat in 2001 and 2002.

As a result of that flow, everybody missed it, including the Congressional Budget Office and the Office of Management and Budget when they gave their estimates of what the fiscal situation was in January of 2001. They missed it big time. They greatly overestimated the amount of money that would be coming in to the Federal Government.

Both CBO and OMB were projecting revenues would continue to climb, maybe a little slower than what they did for the last several years in the 1990s, but they assumed that they would continue to ascend. In reality, they dropped by 9 percent. So the Congressional Budget Office, which is a nonpartisan office—and I do not fault them for their work; I am saying they missed it. Then we also had a little event on September 11, 2001, that was a real tragedy that cost 3,000 lives in the United States and caused untold damage to this economy. It would be interesting to see if the economists could ever figure the costs of that to our economy, but it has been in the billions of dollars and therefore and ultimately in revenues to the Federal Government.

So we had a recession that was already starting in 2000. We had a stock market decline that was enormous, and then we also had 9/11/01, which was a double hit. If we add these things together, revenues are way down. They are actually down for the first 4 or 5 months of this year compared to last year.

So we have been hit by a lot: The war on terrorism, that terrible tragedy of September 11, and the fact that we have had a very large decrease in the value of the stock market. All combined means that revenues coming into the Federal Government, like maybe revenues coming into a lot of States, are way down. So we went from surpluses of over $150 billion to last year we had a deficit of over $120 billion, which is forecast by the Congressional Budget Office to rise this year to, I believe, $246 billion. That is if we do nothing.

I do not believe doing nothing is satisfactory. I guess we could just do nothing and hope that maybe things will get better, but I think we should do something. What can we do to help grow the economy? The President has a growth package. I understand people on the other side of the aisle have a growth package. Good. Let's consider a growth package. How can we grow the economy? I think we should consider any and all ideas. The President requested us to set aside as much as $700 billion for a growth package. That is what we have done, and we have it in a reconciliation instruction.

Now, we do not write the tax bill, and all of our colleagues should be aware of that. We do not write the tax bill in the Budget Committee. We do give instructions to the tax-writing committees: Here is the amount of money they can use to put together a growth package.

What we have proposed is about $725 billion. I believe about $30 billion of that is for actual spending, what we would call refundable tax credits, and the balance of the President's proposal is mostly geared toward various tax cuts that would help grow the economy.

I believe many of those tax cuts would do that, they would help grow the economy. They would help get these figures on the revenues, that blue line, instead of going down, to go up. Frankly, it will not go up unless we really have a growing economy.

The President has several proposals. I will touch on a couple of them. Probably the most controversial is eliminating the double taxation of dividends. We are long overdue for eliminating the double tax on dividends. Many have called for it, Democrats and Republicans.

I don't see how anyone can defend the present policy which taxes distributions from corporations higher than almost any other country in the world. We tax the distribution profits, called dividends, to the stockholders at rates of 65 or 70 percent. There is only one country in the world that taxes dividends higher than the United States, and that is Japan. We are about even with them. We tax dividends higher than France. We tax dividends higher than the Swiss and almost higher than anyone with the exception of Japan. That is absurd.

We are supposed to be this defender of free markets, entrepreneurship, and we are saying if you make money in the corporation, and you distribute to the owners, we want two-thirds, maybe three-fourths of it. That is terrible tax policy. The President said we should eliminate double taxation of dividends. If we did that, we would encourage a lot of changes in behavior. Right now, the present Tax Code encourages debt and discourages investment in equities. I compliment the President for his proposal. If we can get the taxation of dividends down at a more realistic level, we would have encouragement for investment which would create jobs. That would be positive. We need to think what can we do—not to score political points but what can we do to help grow the economy. That is a fundamental part of the President's growth package, the elimination of the double taxation of dividends.

He has several other provisions that would help. I used to run a small business, and he has a provision that would allow people to expense up to $75,000. That is a good provision. That would encourage jobs. That is positive. We should pass that.

The President has several provisions that would be very helpful to families. Basically, eliminating the marriage penalty for couples with incomes less than $56,000 would be very positive. Right now, a married couple with combined incomes up to $56,000 have a marginal rate of 27 percent. Say they make $50,000. Any additional dollar they make is taxed at 27 percent. The President said you should be taxed at no more than 15 percent, all the way up to $56,000. Not to get too wonkish, that equates to $1,100 more per couple with combined incomes up to $56,000.

Some say this just benefits the wealthy. That is not true. You are not wealthy if you make $56,000. The President says you should pay combined tax together, husband and wife, not in excess of 15 percent. That is a positive proposal.

The President has a proposal that says we should increase the per-child tax credit from $600 to $1,000. If you have four kids, that is $4,000 you do not have to pay taxes on. That would be an increase of $1,600 that you get to keep from present law. Present law on the child credit and on the marriage penalty and on the 1-point rate deductions we have had is $600. That is scheduled to expire at the end of the year 2010. In the budget, we extend that for the years 2011, 2012, and 2013.

We do not propose to do it in the so-called reconciliation package. The reconciliation package is the growth package. In the growth package, what we proposed to the Finance Committee is an amount that would allow the per-child tax credit, that would allow elimination of the marriage penalty, that would allow expensing for small business, and that would allow for eliminating the double taxation of dividends, something I believe would very much help grow the economy.

I had business people who saw me today and thought that would help grow the economy by hundreds of thousands of jobs. I heard others say that just eliminating double taxation of dividends alone would be several hundred thousand jobs.

We need to consider how we can grow the economy. We have a measure in the budget that is under reconciliation that says we should consider opening the Alaska National Wildlife Refuge and allow exploration to occur in the refuge. I urge my colleagues to vote in favor of that proposal. I understand there may be an amendment to strike. That is one proposal that would create jobs. That is one proposal that will reduce our dependency on imported oil which right now is right at 60 percent and increasing. A lot of that is from the Middle East. Some of it happens to be from Venezuela and other places. Oil costs are high. So we need to figure out how we can reduce our dependence on foreign oil. This is a main provision where we can do it. And for those who say they don't think we should do that because it might not be sensitive to the environment, I guess they have not been there.

I have been in the Alaska National Wildlife Refuge and the Coastal Plain area. It can be done. If you have been to Prudhoe Bay, you can see that is where we have been getting up to 2.1 million barrels per day. That is now under 1 million barrels a day. We need to supplement that. We can do that with exploration in a very scientific, environmentally safe and sound manner that will not have any negatives whatever on wildlife and will help reduce our dependence on foreign sources of oil. And we will keep billions and billions of dollars in the United States instead of sending those dollars to the Middle East and other countries. We are exporting so many dollars in purchasing imported oil; this is a way we can create jobs. There will be thousands and thousands of jobs created, good jobs created if we are able to enact the provision dealing with the Alaska National Wildlife Refuge.

It is also important to note we constrain the growth of government under this budget. I have no doubt that many people will be complaining about the budget and will complain about the deficit, but they will probably be some of the same people who will be voting to increase spending far and above what is proposed in this resolution.

The President has proposed and we have adopted in our resolution budget caps on the amount of money that we will have on discretionary spending both for 2004, 2005, and 2003, as well. We have caps for all 3 years. We would increase the spending cap amount to a total of $784 billion in 2004, compared to what we have enacted in 2003 of $765 billion. In nondefense, it is a $10 billion increase. And we also have mandatory, total outlay increase for 2003 and 2004, 4.4. A majority of that is mandatory. We are holding down nondefense. The growth of nondefense between 2003 and 2004 is 2.9 percent. The growth in defense between 2003 and 2004 is 2 percent.

Now, why only 2 percent? The year before in defense, 2003, we are already at 8.6 percent. We added $10 billion, actually $6 billion for defense, $4 billion for intelligence-related in the 2003 appropriations bill just passed last month. I mention that to my colleagues. It is very important.

We hear about the growth package and people want to cut the growth package. I am sure we will have amendments. That is perfectly right. I hope we have the amendments to eliminate the growth package or to cut the growth package in half. We had those amendments in the committee. I expect we will have them on the floor. I hope they will be defeated. They want to take the growth out of the growth package. I want the economy to grow. How much is enough? Is $350 billion enough? Is $700 billion enough? We anticipated having revenues of over $27 trillion over this 10-year life of this budget. So $350 billion is a very small percentage. It is about 1 percent; $700 billion is about 2 percent.

Can we make some changes that would have a dramatic impact on revenues? I think we can. We have a little history on our side showing if we do what is right, we can make the economy grow. In 1997, we had a significant tax cut. We actually passed one in 1995 and President Clinton vetoed it. We passed one in 1997 and he signed it. If you look at the results, you also see the revenues went way up.

What was one of the main components of the tax bill that we passed in 1997? It was reducing the tax rate on capital gains from 28 percent to 20 percent. There was a flood of money coming into the Federal Government as a result of that change, a flood of money—more money than the Government ever anticipated because we didn't use dynamic scoring. We used static scoring. We actually assumed maybe this was not going to raise very much money. It raised a lot of money. Because we reduced the tax on financial transactions, we had a lot more financial transactions, and it caused and encouraged an explosion in the stock market. It encouraged a lot of investment. It encouraged growth.

The changes we make can make a world of difference. That is why I encourage my colleagues to consider the President's growth package. What changes can we make now that will help grow the economy?

If you look at taxation, we were taxing exchanges, financial transactions, and we were taxing those at 28 percent. If we reduced that to 20 percent and we had a lot more transactions, that would generate a lot more money.

What about dividends? If they are taxed at 60 percent—combined rate, corporate and individual, at 65 percent or 70 percent, if we can reduce that and only tax it once so corporations are taxed at 35 percent, it is going to greatly encourage corporate investment and distribution to their owners. I think that would encourage investment and I believe have a very positive impact on the stock market and, frankly, on everybody.

Somebody would say that only benefits the wealthy guy who owns a lot of stock. That is not true. Ask the person who works for the telephone company, who has a 401(k), and they have watched their stock investments go back down as Nasdaq did. They want it to go back up. They want the entire market to go back up. Ask a Federal employee who invested in the C fund, the common stock fund. Are they invested? Sure they are. They want to see the stock market go up. When it does, I think it has a very positive impact on the economy. I just mention those things. The President has that proposal.

He does have a cap and we put the cap in our budget, a cap on discretionary spending, a cap that grows just a couple of percent, 2.4 percent, for 2004. So this very important figure, 784 figure—last year you might remember we heard a lot of discussion, talk about 751. That was the discretionary cap figure the President had. Then, 759 or 751, we discussed that figure like it was the total Federal budget. It is not. But it is the amount of money we say we are going to appropriate. We ended up appropriating 765, now 784; it is a 2.4-percent increase.

I hope we do not increase that figure during the course of all the amendments we are going to consider. I know there are dozens of amendments that say we need to spend more money. We are already spending something like $7,000 for every man, woman, and child in the United States.

Spending has been growing dramatically over the last several years. When these revenue figures were going up, our outlay figures said let's just catch up. Just on the discretionary side, outlays, nondefense, went up 17.1 percent; in 2002, they went up 12.5 percent. Both of those figures are greater than what we did in defense for 2001 and 2002. That is not sustainable. That is not affordable.

Our proposal said let's at least limit the growth. We did better in 2003 in nondefense discretionary. Now we are saying let's hold it at 2.4 percent, about the rate of inflation. Many of our colleagues say that is not enough. We need to have more money for everything you can imagine, and I am sure those amendments will come. I urge my colleagues to show some fiscal discipline. Do we want to have the President's growth package, a bigger one or a smaller one? Let's vote and then decide how much money we are going to spend.

We do not dictate to the Finance Committee the composition of the growth package. We are assuming the composition is similar to the President's.

We also do not dictate to the Appropriations Committee. We make assumptions: This is how it will break down. But I might mention they could reallocate the money in any way they want.

There are a couple of other things I will mention that are part of the resolution. We have assumed $400 billion for improvements in strengthening Medicare; not just offering a prescription drug package, which would be a component of it, but to improve and strengthen and solidify, make Medicare a better system for seniors and for future seniors. That is in the proposal, of the $400 billion increase.

Homeland security—we have the President's request, an 18.4 percent increase over last year.

In education, we have increased funding for title I by $1 billion; for IDEA, $1.2 billion.

We have a reserve fund for uninsured of $50 billion, an instruction to the Finance Committee.

We have a highway figure of $32.1 billion; that is 10 percent over the President's request. I know there is going to be a request to increase that figure dramatically—some people say by as much as $5 billion or $8 billion or $10 billion more per year. There is not enough money in the trust fund to do it. There is not enough money generated by gasoline taxes to do it.

I am a believer that highways should be paid for by user fees, by gasoline taxes. Some people would want to increase the deficit by whatever amount it is to expand on that figure. I hope we do not do that. I am sure that will be one of the contentious issues with which we wrestle.

I encourage my colleagues, I hope they review this budget proposal. It tracks largely what the President requested for defense and nondefense for the first couple of years. It tracks the President's request for expanding and improving Medicare, homeland security, education—we bumped over the President's figures in education. I hope my colleagues will consider it. I hope they will say, What can we do that will help grow the economy? If they have a better idea, let's consider it.

We will consider an amendment also at the appropriate time. I look forward to working with all my colleagues and particularly my ranking member, my friend and colleague, Senator CONRAD, on this resolution.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, today we begin a fundamental and critically important debate on the fiscal future of our country. We do it as our country is poised on the brink of war. We do it when our country is now in record budget deficits. We do it at a time when we see challenges facing our country on many fronts. This is a debate of enormous consequence.

I, first, thank our chairman of the Budget Committee, Senator NICKLES, for the way he has conducted our committee. He is new as the chairman. He has walked into a difficult, challenging situation, but he has conducted himself as a real gentleman and we, on our side, appreciate that very much. He has also gathered an exceptionally good staff. We appreciate working with them as well.

This debate is about the fundamental question of where this country will go in its fiscal future. We will decide whether this country will continue down the dangerous path of deficits, debt and decline, or whether we will take a step back toward fiscal responsibility, balanced budgets, and economic strength.

In the 2 years since the Bush administration has come into office, our Nation has suffered a dramatic and disturbing downturn in our fiscal and economic affairs. We went from a position of unparalleled growth, job creation, and opportunity to one of deficits, growing debt, growing unemployment, and doubt about our Nation's economic future. This budget resolution that we will begin debating today will determine whether we continue on the path set by this administration, a path that is rapidly undermining our fiscal strength, or whether we begin to reverse this dangerous course.

The budget resolution that we have before us, the majority passed out of the Budget Committee on a party-line vote, I believe is not the answer to what ails this country. It follows closely the President's proposal for massive tax cuts for the wealthiest among us that will only drive us deeper into deficit and debt.

The chairman of the committee calls part of those tax cuts a growth package, which is what the President terms it. We respectfully disagree. I do not believe, and many on our side do not believe, that it is a growth package. We believe instead that it will inhibit growth because deficits and debt will explode and the heavy weight of those deficits and debt will hold down economic growth. When you run deficits, you reduce the pool of societal savings. When there is less of a pool of societal savings, there is less money available for investment. And without investment, you cannot grow. I think on both sides of the aisle we agree on that basic premise.

The majority's resolution includes fully $1.4 trillion in new tax cuts, $726 billion for the so-called growth package, and more than $600 billion to make the President's 2001 tax cuts permanent. With interest costs, these tax cuts will add $1.7 trillion to the deficit.

Let's make no mistake, these are not tax cuts that are being paid for by cutting spending; they are not tax cuts that come out of a surplus. They are tax cuts that will be funded by borrowing the money. I should also add, they will also be financed by taking over $2 trillion out of Social Security trust fund surpluses to pay for them.

At a time when we are on the brink of war in Iraq, we face a crisis with North Korea, we face an ongoing global fight against terrorism and al-Qaida, deficits are at record levels and continue to grow, job losses are mounting, and the retirement of the baby boom generation looms just over the horizon, I cannot think of anything more irresponsible than enacting this plan.

Now is a time that we should be focusing on strengthening our Nation's defenses and homeland security, improving our economy, and restoring fiscal discipline over the long term to assure that future generations are not saddled with these debts.

If Congress were to actually adopt the plan before us, it would plunge the country off a fiscal cliff and threaten the education of our children, the financial security of our seniors, the stability of our economy, and the ultimate strength of our Nation.

First of all, it disturbs me we are even considering a massive tax cut package at a time when we are on the brink of war. How can we call on our troops to be willing to make the ultimate sacrifice but ask for no sacrifice here at home to fund their endeavors? I do not think that sends the proper message, when our troops are in the field, on the brink of battle.

Past Congresses and past Presidents have almost always called on the American people to help share the burden of conflict by buying Government bonds, by forgoing tax cuts, or even paying higher taxes to pay for a war. The American people proudly carried this burden and recognized it was their responsibility and a small price to pay for the privilege of living in the greatest and strongest country in the world. They certainly did not consider tax cuts for the wealthiest when their fellow countrymen were in battle and their Nation was in deep deficit and growing debt.

Amazingly, despite the fact that we are on the verge of war, neither the President's budget nor the majority's resolution includes any resources for such a conflict. How can we consider cutting revenues by $1.9 trillion, with the interest costs included, as the President has proposed and have not one penny in the budget for the looming war?

Some say, well, it is hard to predict what the war will cost. Indeed, that is true. But one thing we know for certain is the right number is not zero. But that is what is in this budget resolution—zero, zero for putting our troops in position to launch an attack on Iraq, zero for the conflict almost certain to come, zero for the reconstruction of that country, zero for the occupation.

We do have estimates of what all those things cost. Before the Armed Services Committee, they were told in some detail that the costs of just having our troops in place, without going to war—just having them in place—between now and the end of September, would be from $64 to $84 billion. But there is not a dime in this budget. What sense does that make? Are we in total denial that having a quarter of a million troops poised for a war against Iraq is not going to cost anything? Surely we know that is not true. The cost is substantial, and we ought to provide for it in this budget.

Let's consider just how much this war could cost.

Officially, the administration has refused to provide Congress with a cost estimate. The press reports have cited administration officials acknowledging that they could request a supplemental appropriation of $60 to $95 billion to cover war costs in 2003 alone.

This chart shows how much the administration could request in a supplemental for these war costs, and it shows how much has been put in the budget resolution before us. The number is zero.

Mr. President, colleagues, we know that is not right. That should not be our budget for this looming war. And nowhere has the administration accounted for the possibly large postwar costs, such as occupation, humanitarian assistance, and reconstruction, not to mention any indirect costs to the United States, such as an extended spike in oil prices.

That is why it is so important that Congress be provided with a war cost estimate before we proceed with large tax cuts or large new spending initiatives. Congress should have the information before we make these long-term commitments, not after.

It is disturbing to read press reports that Republican leaders may be asking the administration to delay their supplemental request until these tax cuts are locked into a budget resolution.

This is how Congress Daily reported the situation:

> Vice President Cheney met with Senate Majority Leader Frist [on] Thursday to discuss, among other things, the timing of a spending request on military action in Iraq. It is not expected that such a request would come until after the House and Senate complete floor action on the budget resolution, a key aide said.
>
> . . . [H]owever, having a supplemental that could total somewhere between $65 and $95 billion come up while the tax cuts and the budget resolution are being debated could threaten the Republicans' economic agenda. House leaders have also said they want the supplemental war request delayed as long as possible to provide breathing room between the tax cuts and war spending.

If this report is accurate, and the war supplemental is really being held to give breathing room for the tax cuts, we are in worse shape than I even imagined.

To understand why the majority's budget plan is, I believe, making incorrect assumptions with respect to the economy, it is worth reviewing what has happened to the budget over the last 2 years.

When the President was advocating his first tax cut in 2001, he promised we could easily afford it. He ignored warnings that the tax cut he was proposing was too large. In a speech just 2 years ago, the President said:

> Tax relief is central to my plan to encourage economic growth, and we can proceed with tax relief without fear of budget deficits, even if the economy softens.

He was wrong. We now know how wrong he was. Instead of the $5.6 trillion in projected surpluses over the next 10 years that were projected when the President came into office, now, according to the Congressional Budget Office's latest estimates, if we adopt the President's budget plan, we will face a $2.1 trillion deficit over that time period. That is a stunning downturn of nearly $7.7 trillion in just 2 years.

I listened to our chairman give the reasons for this downturn. The one thing I did not hear him mention was the effect of the tax cuts. And yet the tax cuts over the 10-year period are the biggest single reason for this deterioration in our financial condition.

What could be more clear? Let's just do the math. We were told we would have $5.6 trillion over the next decade in surpluses.

Now we are told if we adopt the President's tax and spending plans, we will be $2.1 trillion in the hole over that same period. The tax cuts we passed in 2001 were $1.35 trillion plus the associated interest costs. If you reduce revenue, and that means you have more deficit and more debt, that means your interest cost goes up. The total cost of those tax cuts, about $1.7 trillion.

Now the President comes before us with an additional $1.6 trillion of tax cuts over this period of time. The associated interest cost takes that to a total cost of $1.96 trillion. If you add the $1.7 trillion from the previous tax cuts, the $1.96 trillion from these tax cuts, you get almost $3.7 trillion; $3.7 trillion of the $7.7 trillion of deterioration. That is about 40 percent of the variance. That is the biggest reason.

The second biggest reason is the increased cost associated with the attack on this country—increased defense cost, increased homeland security cost, which we all have supported.

The third biggest reason, quite apart from tax cuts, is the economy is not throwing off the tax revenue anticipated for this level of economic activity. That is a simple mistake in the calculations.

The fourth reason is the economic downturn.

Those are the key reasons for this collapse in our fiscal fortunes. But let's be clear, the tax cuts are the biggest single reason.

In last year's State of the Union address when this change in our fiscal fortunes was becoming more clear, the President saw what his policies were doing and he began to acknowledge that deficits had returned. He said then:

> . . . [O]ur budget will run a deficit that will be small and short-term . . .

Again he was wrong. It is now very clear that the deficits will be neither small nor short term. In fact, the Congressional Budget Office has told us that the deficit would total $338 billion in 2004 if we were to adopt his plan. And if, as the law requires, we are to exclude Social Security from that calculation, the deficit in this coming year would be $512 billion. In fact, we would see throughout the rest of this entire decade deficits would never be below $400 billion.

This chart shows it. This is what CBO told us back in May would occur without the President's policies, the top line. And we would have emerged from deficit in about 2011. If, instead, the President's policies are adopted, and this is the balance line, this is where you have no deficits, this is what happens if the President's policies are adopted. We never escape from deficits the entire rest of this decade, and they are not small. They are very large. In fact, they are record deficits, record in dollar terms, over $500 billion in 2004 alone on a budget of $2.2 trillion. That is a deficit of over 25 percent. That is not a small deficit.

In 2001, the President gave a radio address to the Nation. He said then:

> . . . [M]y budget pays down a record amount of national debt. We will pay off $2 trillion of debt over the next decade. That will be the largest debt reduction of any [nation] ever. Future generations shouldn't be forced to pay back money that we have borrowed. We owe this kind of responsibility to our children and grandchildren.

The President was absolutely right in his values and in his sentiment, but that is not what we are getting in terms of a policy. What we now see is endless deficit and endless debt passed on to our children and grandchildren. In fact, when he said he would virtually eliminate the debt back in January of 2001, he said there would only be $36 billion of debt left by 2008. Now we see, instead of almost eliminating the debt, it is growing. In fact, it will be over $5 trillion by 2008, over $5 trillion. That is just the publicly held debt. That doesn't include the debt we are running up to the trust funds of Medicare and Social Security, debts that will also be in the trillions and trillions of dollars.

The consequences of this dramatic increase in debt are many. But one of them that hurts this Nation the most is the increased interest cost we will face. Back in January of 2000, we were told the interest cost during this period would be $622 billion. Now we see that instead of $622 billion, the interest cost will be $2.3 trillion; $1.7 trillion in interest cost, money that can't be used to build a destroyer to protect the Nation, money that can't be used to eliminate the terrorist threat to our country, money that can't be used to educate a child or feed a hungry person or do anything else that government does. Instead, it is wasted money, wasted in the sense it won't do anything positive other than pay our bills.

That increase in debt, that increase in deficits is, to me, the greatest threat posed to our national economic security. Again, if we listen to President Bush, we know his heart is in the right place. In his State of the Union address this year he said he would not pass on our problems to future generations. He said then:

> This country has many challenges. We will not deny, we will not ignore, we will not pass on our problems to other Congresses, to other presidents and other generations.

That is precisely what the President's budget plan, and what the budget plan before us, does. It passes on the burden to future generations. It asks our children to shoulder the debts we are running up.

It is interesting to look at what the President's policies will do according to his own analytical perspectives. From page 33 in his budget, what this chart shows is the next 10 years, the budget sweet spot. Even though we are in very large deficit, even though we are in record deficit, even though the debt is mounting, we can see this is the good times because this is the chart from the President's own budget document looking out as far as 2050.

What it shows is, if the President's policies are adopted, his proposals for tax cuts, his proposals for spending, we are going to take a leap off the cliff into deficits that are unsustainable and that are dramatic and that are devastating to this country's economic strength and economic future.

We need to remember this is the worst possible time for us to be accumulating such a mountain of debt.

This is precisely the time when we should be paying down debt, or prepaying the coming liability of the baby boom generation.

When we look at the next two decades, we can see that the President's tax cut explodes in costs at exactly the same time the Social Security and Medicare tax surpluses disappear. Right now, the tax cuts are somewhat less than the trust fund surpluses from Social Security and Medicare.

But look what happens when those trust funds go cash negative in the next decade. At the very time the trust funds of Social Security and Medicare go cash negative, the cost of the President's tax cuts explode. That is what this chart shows us.

The blue bar, which is the smallest, is the Medicare surplus. Ultimately, it becomes Medicare deficits. The green bar is what Social Security is running now in surplus, which will also turn to deficits when the baby boomers start to retire. The red bar shows the President's tax cuts.

What this chart shows is as clear as it can be. None of this adds up. It doesn't come close to adding up. Right now, while the trust funds are running substantial surpluses, those funds are being used to pay for the tax cuts and other expenditures of Government. They are not being banked. They are not being used to pay down our other debt so that we would be in a better position when the baby boomers retire. And those surpluses are not being used to prepay the liability we all know is to come. Instead, those trust fund surpluses are being spent. They are being spent to fund these tax cuts; they are being spent to fund other expenses of Government.

Look what happens when we get out into about the next decade. Then as the baby boomers retire, the trust fund turns to cash negative, instead of throwing off big surpluses.

For example, this year, the Social Security trust fund surplus is over $160 billion. That is real money—$160 billion in this year alone. But all of that is going to change when the baby boomers start to retire. Then the trust funds of Social Security and Medicare go cash negative. As the years progress, we go cash negative in a big way. That is the very time that the cost of the President's tax cuts explode. The result: massive deficits, massive debt.

This chart is looking out to 2018, when we will have a deficit approaching a trillion dollars for that year alone. That is what these charts show. That tells me that this budget plan can only have one conclusion, and that is to take us on a course to massive cuts in Medicare, in Social Security, and in all the rest of Government. That is the only conceivable outcome of a policy that has been laid down by the President and that has been largely adopted in the budget resolution.

I don't think that is the direction in which the American people want to go. But they need to know that the logic of this plan is inescapable. It is massive deficit; it is massive debt.

The President has proposed what he calls an economic growth package. Clearly, we need to have an economic growth strategy. That is something on which we can all agree. We need an economic growth strategy because we have lost 2.5 million jobs in the private sector since January of 2001. Let's be clear. What has caused that? No. 1, economic downturn. No. 2, the attack on this country that made the economic downturn more severe. Those are the culprits in the near term for what has happened to us. So we simply must respond to 2.5 million jobs lost during that period of time.

But the President has told us that his growth package, which doesn't cost $725 billion—when you include the interest costs, it costs $994 billion from 2003 to 2013—almost a trillion dollars of costs, only a very small part of it is effective this year when the economy is weak and needs a boost. This doesn't make sense to me, nor does it make sense to many economists. Clearly, we need a growth strategy. This is where the chairman and I are in complete agreement. We need a growth strategy.

But we need a growth strategy that will really grow the economy, one that will provide lift at a time of economic weakness, but one that will return us to fiscal balance in the long term so we are not putting upward pressure on interest rates that would only slow economic growth and kill a stronger economic future.

Some have said deficits don't matter, deficits don't affect the economy. Chairman Greenspan, head of the Federal Reserve, believes deficits matter. He said in testimony before the Senate Banking Committee:

> There is no question that as deficits go up, contrary to what some have said, it does affect long-term interest rates. It does have a negative impact on the economy, unless attended.

Well, it is not just Chairman Greenspan who believes it. Mark Zandi, a well-respected economist with Economy.com has evaluated the Democratic plan for economic growth and contrasted it with the President's plan. What he concluded is that, in the short term you get more economic growth from the Democratic plan because we put more into giving lift to the economy now, when it is weak.

He shows that, in 2003, we would have almost twice as much economic growth as the President's plan. The same is true in 2004. And perhaps even more interesting, he concludes that over the long term, the President's economic growth plan actually hurts economic growth.

Let's be clear. We believe the President's so-called growth plan will help in the short term—not as much as our plan would, but it would help—but it actually hurts in the long term. Why? Because the tax cuts are not paid for by spending reductions in the President's plan. Instead, the President's tax cuts are financed by borrowing and taking the money out of the Social Security trust fund surpluses. That is a prescription for putting upward pressure on interest rates and for hurting long-term economic growth.

Again, that is not just my view, that is not just the view of Mr. Zandi; it is also the view of Macroeconomic Advisers. They happen to be the group that is hired by the White House, hired by the Congressional Budget Office, to give long-term assessments of what different policies will do for economic growth. This is what they have said the effect of the President's plan will be.

This chart shows the President's policy compared to the base. The base is the green line; the President's policy is the black line. What it shows is that in the short term the President's policy would increase economic growth—again, not as much as the Democratic plan; nonetheless, it would be positive. Over the long term, it would be worse than doing nothing. It would actually hurt long-term economic growth.

Again, the reason for that is very simple. The reason is, if you finance these tax cuts with borrowing, you are increasing deficits, increasing debt, and that provides a dead weight on this economy.

We have the Federal Government in there competing with the private sector to borrow money. That drives up the cost of borrowed money, drives up interest rates, and that hurts economic growth.

It is just not my view, or the view of Macroeconomic Advisers, or Mr. Zandi; it has now been expressed by a group of the most distinguished corporate leaders in America.

The nonpartisan Committee for Economic Development, a group of some 250 CEOs of major companies, has looked at the President's plan, and they have come forward with the following conclusions. I should emphasize the Committee for Economic Development is a nonpartisan, nonpolitical group of 250 leading businessmen and academics, a group composed of largely fiscally conservative business leaders and academics, including executives from the Bank of America, Bell South, Allied Signal, PricewaterhouseCoopers, Deloitte & Touche, Ford Motor Company, and many more.

This group issued a report opposing the President's tax cut and noting that it would explode deficits and debt right in the face of the retirement of the baby boom generation. That is exactly right. Here is what they found.

No. 1, current budget projections seriously understate the problem.

No. 2, while slower economic growth has caused much of the immediate deterioration in the deficit, the deficits in later years reflect our tax-and-spending choices. So this is the debate between the chairman and me. He is saying the tax cuts are not the reason for the opening up of these deficits, and he is right, in the first few years of this 10-year plan. But over the full 10 years of the 10-year plan, the biggest reason for the return to deficits is the tax cuts. That is not just my conclusion, that is the conclusion of this group of corporate leaders.

No. 3, deficits do matter. When you have to be borrowing money for the Federal Government, that puts the Federal Government in competition with the private sector and that puts upward pressure on interest rates, especially at a time when the economy is recovering.

No. 4, the aging of our population compounds the problem.

I do not know what could be more clear. We have record deficits now. The President says cut another $2 trillion out of the revenue base and do not offset it by cutting spending, but increase spending and do it when we all know the baby boomers are about to retire and will really explode costs to the Federal Government. What earthly sense does this make? We are cooking a stew here that will be impossible to choke down. We will be choking on deficits and debt in this country, and you do not have to just take my word for it. The President's own budget documents have reached precisely the same conclusion. They show we never emerge from deficit and that as the baby boomers retire and the costs of the tax cuts explode, the deficits mushroom, the debt grows geometrically to unsustainable levels.

Let me put up the reasons for the decline we were discussing earlier. The reasons for the disappearance of the $7.7 trillion—remember 2 years ago, we had a forecast of $5.6 trillion of surpluses over the next decade. We now know, according to the Congressional Budget Office, if we adopt the President's tax-and-spending plans, instead of $5.6 trillion of surpluses, we will have $2.1 trillion of deficits. That is a swing of $7.7 trillion in 2 years.

Where did the money go? Over the 10 years, 38 percent went to the tax cuts, those already passed and those proposed; 26 percent went to the problem of the models not correctly forecasting revenue for various levels of economic activity. That is apart from the tax cuts. It is less revenue, but not caused by the tax cuts. The two of them together are 64 percent of the reason for the disappearance of the surplus. Sixty-four percent is less revenue than anticipated. Most of it is the tax cuts, but the other is mistakes in forecasting. Twenty-seven percent of the reversal is additional spending caused by the attack on the country, the additional defense spending, and the additional spending for homeland security. Only 9 percent is the economic downturn.

Now we have the Committee for Economic Development telling us that we are on a course that does not make sense. So we look at the proposal before us by the chairman of the Budget Committee that passed on a party-line vote out of the committee. What does it show us?

It shows us that if you do not use Social Security, if you do not throw that money into the pot, if instead you treat it like a trust fund, if instead you protect it, if you treat Social Security as a true trust fund, the deficit in 2004 under the budget chairman's mark will be $503 billion out of a budget of approximately $2.2 trillion. That is a huge deficit. What we see is never emerging from deficit if we do not use Social Security for other purposes for the whole rest of the decade. In fact, we never get below $300 billion in shortfall on an operating basis.

Where is the money coming from? Mr. President, $2.7 trillion is being taken from Social Security surpluses and used to pay for these tax cuts and being used to pay for the other expenses of Government.

These chickens are going to come home to roost. This is a profound mistake, I believe. I believe we should have either used this money to pay down debt or prepay the liability we know is to come, but to take this money from Social Security surpluses when we are right on the eve of the retirement of the baby boom generation, we know what it is going to do. It is going to force incredible choices on a future Congress and a future administration. They are going to have to run up massive debt or have enormous tax increases or deep cuts to Social Security and Medicare. This is reality talking now, and it is a hard reality, but it is something we have to face up to.

Instead of paying down debt, here is what is happening to the gross Federal debt. It is exploding. It was $6 trillion in 2002. If we adopt the chairman's mark, it will be $12 trillion at the end of this budget period; $12 trillion in debt.

The chairman said the tax proposals of the President are not weighted to those at the top. I must say I differ. I do not know what tax plan he is studying, but the tax plan I look at that the

President has advocated shows the overall tax cuts are almost totally weighted to the top end. This is from the Center on Tax Policy, and it shows that taxpayers with over $1 million of income a year will get an $88,000 tax cut—$88,873. That is pretty generous. Taxpayers who are in the middle of the income scale, those earning from $21,000 to $38,000, get a $265 tax cut. If that is not weighted to the top, I do not know what is.

By the way, this AGI, adjusted gross income, of $21,000 to $38,000, is 20 percent of taxpayers who are in the middle of income distribution in this country. They take the income of all those in America and divide them into groups of 20 percent. The group that is in the middle 20 percent has an adjusted gross income of between $21,000 to $38,000. They get very little by way of this tax cut. Those at the top—and, of course, people earning over $1 million a year are in the top 1 percent of this country—get a tax cut of over $88,000. This is trickle-down economics all right. It did not work before, and I do not think it will work now.

This shows the benefit by quintile of the President's proposal. It shows the bottom 20 percents get two-tenths of 1 percent of the benefit; the second 20 percent gets 10.8 percent; the third 20 percent get 23 percent; the fourth 20 percent get 32 percent; the top 20 percent get a third of the benefit. So that is clearly heavily weighted to the top.

I conclude by saying I hope we pause, think, and reflect about what adopting these policies would mean to the economic future of the country. I think these are fateful decisions that are about to be made, fateful decisions that will have an effect on this country for many years to come. I very much hope that before we are finished our work on this budget resolution that we change course, that certainly we enact a growth package, one that includes tax cuts, one that gives a lift to the economy but one that does not burden us with deficit and debt for years to come; that we return to an understanding that fiscal responsibility is critical to long-term economic growth. That must be the conclusion that we come to during this debate on the budget resolution.

I yield the floor.

The PRESIDING OFFICER (Mr. CORNYN). Who yields time?

Mr. NICKLES. Mr. President, 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. NICKLES. 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. NICKLES. Mr. President, I have heard many people say the tax cut is really weighted towards the upper income people, and sometimes I do not know if we are talking about the 2001 tax cut or the tax cut that President Bush is now proposing for growth or the extenuation of the 2001 tax cut.

In his total 10-year budget, the President had about $1.5 trillion of reduced revenues. Of that, $695 billion, I believe, was in the growth package and tax cuts; about $30 billion in expenditures. Some of the tax cuts were refundable, so Government will write a check. So that goes on the expensing side. About $600 billion of that figure is the extension of the 2001 tax cuts that will sunset at the end of the year 2010. Those are tax cuts that are the per-child tax credit, the marriage penalty, and also the reduction in rates.

I might mention the reduction in rates, what we already passed in 2001, particularly as far as income strata is concerned, who benefited the most percentage-wise, low income benefited a much greater percentage than upper income. Those are the facts. We reduced the 15-percent bracket to 10 percent, and we did it retroactive in June of 2001. We made it retroactive to January of 2001. Now, that is a reduction of rates of about 30-some-odd percent. That is from 15 percent to 10 percent, and it was made retroactive for individuals who were in that income tax bracket.

For individuals who were at the maximum tax bracket, we went from 39.6 percent to 38.6, 1 percentage point. Incidentally, we went 1 percentage point in the other rates as well. The 28-percent rate went to 27 percent, for example. So percentage-wise, they did not do near as well, about a 3-percent reduction compared to a 33-percent reduction for lower income.

As a matter of fact, the Tax Code is more progressive now as a result of the 2001 tax cuts than it was without the 2001 tax cuts. Upper income people pay a greater percentage of the income tax. Senator GRASSLEY will probably allude to this when he makes some of his comments.

If we pass the President's entire package as presented, the tax cut would still be more progressive. One might say, why? Well, because we are increasing the number of people who will pay no income tax. If one has four kids, passing a child credit of $1,000 per child is $4,000 they do not pay taxes on. If one has income less than a certain amount, they may not pay any in connection with tax. So percentage-wise, that may be a 100-percent reduction of their income tax. That is rather significant.

I mentioned the marriage penalty. Couples with taxable income less than $56,000 would be taxed at a 15-percent bracket instead of marginally at a 27-percent bracket. So that benefits them dramatically. It goes from a 27-percent bracket to 15-percent bracket. That is almost a 50-percent reduction. That is very significant. Sometimes people want to play class warfare. I don't. I want to come up with good tax policy. It is absolutely not good tax policy to be taxing distributions from corporations to the tune of 67 or 70 percent.

And now a personal example. I used to run a manufacturing company before coming to the Senate. It was a corporation, Nickles Machine Corporation. We made money for a while. Unfortunately, we turned into a nonprofit organization—but not by choice. When we were making money, we wanted to distribute some of the money to our shareholders, to the owners of the company. At that time, corporate tax was 48 percent and the tax on individuals was 50 percent, for our purposes. If you have $1,000 and distribute that to the owners, the net result is the Federal Government gets 75 percent and the owners get 25 percent.

What is it today? If a corporation wants to distribute $1,000, they pay 35 percent corporate tax and the individuals might be paying 27 percent, possibly 33 percent or 38.6 percent. If a corporation wants to distribute $1,000 in earnings to the owners, the Federal Government gets 70 percent and the owners get 30 percent. This is not a very good deal.

A lot of corporations said: Let's do something else; let's pay bonuses. So there were bonus schemes. The goal of a business is to generate a profit and distribute that to the owners. It makes no economic sense to pay a lot of dividends if the Government gets over half, maybe as much as two-thirds, maybe more than two-thirds, even up to 70 percent. That is how present law is written.

The President proposes changing that, and I compliment him for doing so. Alan Greenspan has spoken in favor of that needed change. Many who follow the markets, including Charles Schwab and others, say this would be very positive and would help raise the markets. We would stop this terrible suffocating policy of overtaxing corporate distributions, which is what we are doing. We are currently grossly overtaxing corporate distributions. We need to change that.

Again, this will help anyone, including Senate employees. I don't see too many millionaires walking around here, but it would benefit every Senate employee who works for me who has money in the retirement account. It would help employees of corporations who have money in retirement funds. A teacher retirement fund is one of the largest in the country. I believe it is the California teachers retirement plan. They invest in the stock market. They would benefit from this proposal. It would benefit everyone, including our country.

I don't think we should be talking about class warfare. Percentage-wise, the lower income group has a greater percentage reduction of its income tax than any other group. That is a fact.

Some are talking about this leading to cuts in Social Security and Medicare. I find that not to be the case. The Social Security trust fund will be just as large in 10 years whether we pass this budget or not. We do not do one thing that would have any impact on the Social Security trust fund.

Right now, the Social Security trust fund is financed by payroll tax. There is more money going out than coming in if you look at Social Security and Medicare combined. If you take the two trust funds combined, there is more money going out because we subsidize Medicare substantially in Part B. I will have charts on the total money in those pots of funds.

We want to have a very good, enlightened debate on this entire budget. I encourage my colleagues, if they find this budget deficient, to please offer their own. We will have ample time to consider alternatives. I am sure others have ideas, and we would be happy to debate those.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, let me indicate when one is assessing effective tax rates on corporations, it is a very tricky business. The chairman is citing the tax rates found in the tax tables. But those are not the effective tax rates that companies pay. It gets to be much more complicated than it appears superficially in terms of top rates.

For example, the chairman is making the point regarding everyone who has retirement account benefits. Our employees benefit—although they are, for the most part, well-to-do people—from the dividend taxation proposal. The way tax law works, they do not pay those taxes in a retirement account. Those are tax-free accounts. They are not paying the dividend tax. It might be true they would benefit if the value of the stocks went up, but that is very much a crapshoot. No one knows for certain what the effect of a dividend tax proposal would be in terms of stock valuation. But we do know the effect on deficits and debt. It will drive up deficits. It will drive up debt.

Many Members believe, and many economists believe, increased deficits and increased debt will inhibit long-term economic growth, not improve it; it will hurt people, not help people.

When the chairman talks about lower income people getting a bigger percentage reduction in their income taxes than higher income people, that leaves out a profoundly important point. That is, most lower income people—in fact, most taxpayers—pay much more in payroll taxes than they pay in income taxes. There is no payroll tax relief in this plan. It is all geared to income taxes. Automatically, that is giving the greatest benefit to those who are the best off.

When you take all the President's proposals together and evaluate who the big beneficiaries are, it is indisputable that it is heavily weighted in the top end. Certainly, the dividend top proposal is weighted in the top end heavily, and that is half of the President's so-called growth package.

I will yield the floor so colleagues have their chance to express their views on the budget resolution before the Senate.

Mr. NICKLES. I yield to the Senator from Wyoming such time as he desires.

The PRESIDING OFFICER. The Senator from Wyoming.

Mr. ENZI. Mr. President, I am pleased we are at the point of having the debate now on the budget. It is extremely critical to the operation of the Nation to have this done in a very timely fashion. I appreciate the cooperation on both sides of the aisle to bring it to this point.

I enjoyed the insights and debate we had last week as it congenially went through committee. There was a lot of cooperation, a lot of exploration, a lot of decisionmaking last week that resulted in the budget that is here today so we can begin the floor debate. I look forward to making progress on the budget this week and getting it wrapped up so the authorizing committees can look at the exact projects they have coming, have some kind of idea of the amount of money that is in there and, at the same time, the projects they want to do over the years that are necessary to accomplish. Then, of course, the timely work of the authorizing committees will allow the timely operation of the Appropriations Committee.

Last year we were not able to approve an appropriation until this year, in January. That is supposed to be done in October, not January—October. We got it done in January. But we ought to be able to get it done in October, before October 1, so all the agencies know what they are operating on for that year so we are not guessing for part of the year and then operating on an appropriation.

All of that ties back into this budget process. The budget process is not the details of where the money goes, but it is the broad blueprint for where it goes. Most importantly, it establishes the rules that people have to operate under when they do authorizing and appropriations.

This is an extremely critical piece of the puzzle. It is a piece designed to be done in relatively rapid fire, so those other parts of the process can be done.

Today I rise in support of the budget resolution as reported by the Budget Committee last Thursday. I do commend the chairman of the committee and my colleagues for developing a fiscally responsible and realistic budget, and for doing it in a timely manner. The hard work of the committee has set the stage for final adoption before the April 15 deadline.

You may not know that the April 15 deadline has only been accomplished four times since 1976. We have a great opportunity to have it accomplished this year. I look forward to doing that.

The resolution as introduced today will not only enable us to win the war on terrorism, to secure the homeland, and to generate long-term economic growth, but it will also provide critical funding for America's children and our national transportation system.

As a new member of the Budget Committee, this has been my first opportunity to work on the Federal budget in depth. The week the President's budget was released I read the entire thing from front to back. Since then, I have studied the summary tables for each of the budget functions and have worked through the costs and benefits of the President's economic growth and development plan. As an accountant and businessman, I believe I have a unique understanding of the President's growth package and the budget, and I strongly urge my colleagues to pass this budget as introduced.

I would like to speak specifically about the President's economic and growth package for a moment. I have taken the last several weeks to closely analyze that Economic Growth and Jobs Plan because I think we must ensure that each initiative will act as a stimulus and not as just another expenditure. While I have a degree in accounting, you do not need to be an accountant to know we cannot spend our way out of debt. Accounting does not work that way. We either have to increase revenue or decrease spending in order to balance the budget in the coming years.

I had a little lesson right after the first of the year in balancing budgets and the importance of it. The President asked me to go to Brazil and represent the United States at the inauguration of the new President down there. I was delighted to make the trip. It was quite an adventure. They invited heads of state to their inauguration, unlike our inaugurations, and the heads of states around the world do respond. There were 130 countries represented.

They take the credentials on a seniority basis that goes to heads of state and then crown princes and then vice presidents and eventually it gets down to the delegation that we had over there. We were 40th in line, so there were a lot of heads of state there. I had an opportunity to talk to many heads of state. Our delegation had an appointment every hour with a different head of state or with a cabinet member of the new President, and a meeting with the new President.

He is from a leftist government, so it was interesting to find out what he had in mind for his country. One that was particularly critical to him was balancing the budget. He recognized that the future of his country depends on that more than, perhaps, any other item that he can do. He is also interested in moving the programs to as close to the people as possible, giving them flexibility and reducing the bureaucracy.

That sounds like a lot of the issues I have been talking about, and I do not consider myself to be leftist, but I did notice with most of the heads of states to whom I spoke, they did put an emphasis on that balancing of the budget. I am convinced that is what we can do for this country to ensure the future of the country, and the sooner it is possible to do it, the more important it is—but the more sure that we can do it, the more important it is.

Unfortunately, while the Federal Government accounting offices are good at estimating expenditures, they are not very good at projected revenues. They use static numbers. That means that no matter what kind of economic plan we have, those numbers are not going to be reflected in any budget, toward helping to balance the budget at all. Keep that in mind when we are talking about budget here.

The static numbers provided by the Congressional Budget Office do not take into account the long-term positive effects of the President's growth package, the effects that would have on the economy. I believe this erroneously skews the debate. Positive results should be reflected along with negative results, and increased revenues should be taken into account when making decisions about an economic growth package.

The answer to improving our economy is not through increased expending of Government programs. You cannot spend yourself into a better economy. Try that on your own budget. It works kind of the same way. You have to do it with the Government by growing tax revenue from the private sector.

As we know from past economic reports, dollars invested by private companies tend to circulate through the private sector nearly twice as much as those spent by the Government on domestic programs. Some of those estimates go up as high as seven times when you spend in the private sector as opposed to spending in the Government sector. For example, when one business buys something, the business that sold it to them receives the money. The business that sold it to them turns around and spends it at another company, which takes it and spends it at another company, which spends it. Some say this action circulates the dollar as many as seven times through the economy—seven taxable times through the economy. That is one of the differences between a government expenditure and a private expenditure.

The result is the efficient use of capital and more Federal revenue. The trick is to get the private sector into that expanded mode fast enough that the tax revenue comes in at greater amounts than had been anticipated. From past times we have seen that providing an economic plan, providing some tax relief, has stimulated the economy. It can do that again. But what we are talking about is the efficient use of capital; where it can be best applied to get the best results.

This does not mean we have to decrease spending for critical programs in order to spur investment. Instead, I believe we must hold our spending in check and then increase revenue by creating an environment that allows businesses to grow and subsequently pay more into the Federal pot.

We need to grow the economy back to where it was before the recession that started 3 years ago, and then was added to by September 11, and then we have to grow it beyond.

When I first got to the Senate, the first item of business was a balanced budget constitutional amendment. We were going to force ourselves to balance the budget. I have to tell you, the constitutional amendment came within one vote of passing—one vote. I have to tell you, that was pressure from the American people, and we paid attention to it in this body and we began balancing the Federal budget. When we did, the economy skyrocketed. That is what can happen if we have a plan for getting back to a balanced budget. We can grow the economy faster than it grows right now.

It wasn't that we cut spending during that time. Lord knows, we did not cut spending. But we increased the revenues. That is the key. It is easier to balance the budget when you rapidly increase the revenues. That is what I think the President's economic growth plan will do. I believe the President's proposal is the most effective engine for spurring that growth.

We need to aid the people and businesses that make up our economic machine and get it moving down the tracks at full speed again. That is the businesses, particularly the small businesses.

The President's economic growth package makes sense. Eliminating the double taxation on dividend income is fair and right, as income should not be taxed twice. The proposal will eliminate the current tax bias against equity investment, and because a little over 50 percent of American households own equities, it will benefit a wide range of income levels.

I have to mention, there are seniors in this country who have done some planning for their retirement, and one of the ways they did that was to pick out companies that pay dividends, and to pick out companies that pay dividends in different months so they get a dividend check each month. I will tell you, those senior citizens know what it is to have their income taxed twice. In fact, they have a lot of instruction on unfair taxation that falls on them.

Further, eliminating the double taxation may encourage investors to reward companies that pay out a healthy dividend, not just by purchasing their stock but by purchasing the stock at a higher multiple of corporate earnings.

I have to tell you, that balance can be paid out. That has to be real money. That cannot be phony accounting. That straightens out some of the accounting process. Look to the dividends.

The President's proposal to accelerate the 2001 tax cuts will rightly put money back into the hands of hard-working taxpayers. I believe the most important acceleration would be the reduction in the highest tax rate because sole proprietorships, partnerships, and subchapter S corporations are taxed at that level.

We talk about it as though it were a few wealthy individuals. I had people talking to me about the unfair double taxation of dividends before the President ever mentioned it. It was coming from Wyoming people who had small businesses who have grown those small businesses and have grown them very successfully. They started to mount as regular corporations rather than subchapter S corporations. They were able to build those businesses. They have very successful businesses with some retained earnings now that could go into some other projects, but they are not about to pay that out if they have to get taxed on it one more time. They already paid the tax. They do not think it is fair to be taxed on it again.

As some of you know, I owned a shoe store in Gillette, WY. So I understand this subchapter S and C corp taxation and know that those C corp small businesses are taxed at a different rate. Subchapter S corporations pay at the individual rate. And for many of those in business, because of the money that is flowing through the corporation—not money they are getting, money flowing through the corporation, money they are putting back into inventory and equipment and buildings so they can grow that company—they are paying taxes on it, if they have it as a subchapter S corporation, and they are paying it at the highest individual rate, which cuts into the amount they can put back into the business.

So, simply put, the more money that corporation has to pay in taxes, the less money they have to invest in inventory, to maintain the building, or, more importantly, to hire more people to take care of customers—jobs.

As such, I think reducing this tax burden on small businesses will be the most effective growth mechanism. I also believe the President's efforts to encourage long-term economic growth, through higher expensing caps for small business expenditures, is extremely helpful and long overdue. Again, the money that they are investing in equipment and buildings would be able to be written off quicker, which would encourage them to go ahead and make those expenditures sooner, which is short-term growth for the economy. Months and years before the President released his growth package, small business owners from Wyoming were asking me for that kind of relief as well.

I have to tell you, it is small business that has been building this country. For the past several years we have had the megamergers, we have had a big company buying up another huge company. The numbers they talk about from those purchases are absolutely astronomical to me. I don't even have the concept for how much money they are talking about. But one of the things I have noticed is, after they make that megamerger, they have what they call a downsizing, or a ''rightsizing.'' I call it laying off people—10,000, 20,000 people laid off.

Until the decline of 3 years ago—and actually up until about a year ago—the slack from those megamergers was being picked up. Those people were being hired. Those people were being put to work. Those people were given jobs. Where? In small business. Small business was growing the economy. They are able to define a niche and able to provide a need. And they are able to respond to change quickly. That is the advantage of small business.

Fortunately, we have people in this country who are willing to take the risk of developing a special niche, filling a need for this country, and selling the people of this country on that need. That is what has grown the business. A lot of those little businesses have grown into very big businesses, but that is how they started.

That is where we really need to fuel this engine. We need to fuel it from the small business aspect. We have that opportunity. We have that opportunity with the President's economic growth plan. I hope we will take advantage of it.

Small businesses should not bear the brunt of taxes. As corporations struggle to meet income projections and cost reductions, small businesses are the ones providing jobs and putting food on the table for our working families. They are the ones growing the jobs. Small businesses are the backbone of the American economy, and we must allow them to grow and prosper.

While I support the President's plan and the package we assumed in the budget resolution, it is important to remember the Budget Committee cannot dictate how the Finance Committee structures the tax package. This resolution simply reconciles the Finance Committee to reduce revenues by $698 billion, which is consistent with the President's growth plan. I urge my colleagues to support the reconciliation package without amendment.

During this uncertain time, we must be mindful of the fiscal impact of the war on terrorism and the war in Iraq. These are threats we may not be able to avoid, and we must be prepared to provide the resources necessary to keep the men and women of our armed services safe and strong.

However, I caution my colleagues. We should not add the cost of the war to the baseline of our budget. God willing, this war will be short, if it happens. And we should not treat it as an ongoing expense. We should not put it in as a baseline so that next year we can build from that baseline at even greater expenditures. It has to be treated as a one-time emergency.

Mostly, I fear that the money used this year to fund the war will be swallowed up next year by the spending machines we can't wait to dip into as a new pool of money.

Finally, in closing, I would briefly like to mention another issue that is important to the people of Wyoming and to many Senators who hail from rural States. This issue is drought assistance. During the Budget Committee markup, I worked with my colleagues to include a sense of the Senate that would direct Congress to develop a long-term drought plan and establish a reserve that would fund emergency and disaster assistance to livestock as well as agricultural producers hurt by drought.

I think this provision goes a long way in making a clear statement that we are systematically preparing for the negative impacts of drought and other disasters through a long-term strategy rather than a knee-jerk reaction.

Something that has disturbed me in the budget for our country has to do with our knowledge of impending disasters. We don't know which disasters they are; we don't know where they are going to strike; we don't know what they are going to be or we might be able to do more in the way of prevention. That just isn't the way Mother Nature works. But we do know every year—since I have been here, and looking back several years before that—there are around $6 billion worth of disasters in our country.

We do not budget for that. We treat them strictly as emergencies. Anybody in the private business sector who knows there is going to be a huge expenditure builds that into the budget. I am hoping, through a process, we can eventually get to the point where the known emergencies—that is, the known amount of dollars of the emergency—even though we don't know which they are or where they will occur, that they will be provided for up front as part of the budget.

Mr. SESSIONS. Will the Senator yield for a question?

Mr. ENZI. I yield for a question.

The PRESIDING OFFICER. The Senator from Alabama.

Mr. SESSIONS. Mr. President, the Senator is speaking so well on these issues as an accountant. I think he is the only accountant in the Senate, and a small businessman himself. I would like to ask this question on the double taxation.

I have heard economists and others, like Larry Kudlow, for example, say that big corporations are withholding earnings. They are not paying them out in the form of dividends because they are taxed. And they are retaining those earnings. Then they are using those earnings, when they don't know what to do with them, basically, to buy up small competitive corporations. Does the Senator think, based on his experience in business, that could be one factor in the consolidation of big businesses more and more in America? And is that unhealthy for the country?

Mr. ENZI. I think our tax system has encouraged companies to get bigger and to enfold more kinds of operations into their current operations, even if they were not compatible with the current operation, just so they could do as you have expressed, avoid some of the double taxation there would be on dividends and also drive up the price of the stock by making these other acquisitions.

Growth, sometimes, of another business will drive up the price of the stock because it increases the number of sales for the host corporation. It did not increase the number of sales for the purchased corporation, but by adding that to the new one or by sticking some other units out there, they can drive up the stock prices. We have seen a number of mechanisms for being able to drive up the stock prices.

I do expect we will see kind of a reversal in the way companies have been doing that. If we can put some plans in place to better stimulate small businesses, we will see some of those big businesses spinning off some of the businesses that they have had before, taking the cash, paying some dividends and increasing the value of their stock based on the true accounting, the cash that they are able to generate. They will be able to do that because they won't have that double taxation burden some of the investors look for, those opportunities. They don't want to receive the dividends. They want to see the increase in stock value instead. So instead of encouraging cash to be distributed so they can put it into the economy, perhaps for smaller business earnings, it is going exactly the opposite way.

Mr. SESSIONS. Just to follow up, is it the view of the Senator that by eliminating the double taxation on dividends, this would encourage businesses to distribute dividends to shareholders and not hoard it and end up purchasing and consolidating their business interests, expanding it by purchase of competitive smaller businesses?

Mr. ENZI. The Senator from Alabama is absolutely correct. It will grow a lot of new businesses. It will put it in the hands of people who will be looking for opportunities of small businesses that fill niches, and there will be money available for small businesses through venture capital to be able to get the money to put that idea they have had in place for a long time and actually produce the product, market the product, get it out there where it is providing a service to people and growing the business at the same time. It will change the way people in this country invest. It will improve the way corporations operate.

I thank the Senator for his questions. I urge my colleagues to support the fiscal year 2004 budget resolution as reported by the Senate Budget Committee.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. CONRAD. I am pleased to yield 25 minutes to the Senator from Massachusetts.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. Mr. President, before my friend from Wyoming leaves the floor, I want him to know I listened carefully to his arguments. I had difficulty following the argument that we should not include any funding in the budget for the war in Iraq. I am sure he has attended—I have seen him there—a number of meetings where we have listened to the Secretary of Defense and others say we couldn't project what the war is going to cost because we didn't know what other allies were going to contribute, how many troops they were going to have, what they were prepared to spend. Now on the eve of the President's statement, we have a very good idea about where the burden of this conflict is going to fall. It is going to fall on American taxpayers.

I am troubled about why we don't include any of that in the budget. We know it cost $25 billion to send the service men and women over there. That is a CBO figure. It will cost $25 billion to get them back. We know now that to build the Iraqi oil industry, if we were to go in there today without any kind of impact or any destruction, it is going to cost about $15 billion more to bring it up to speed. We know that electricity is about half pace and it is going to cost another $10 billion to bring that up to speed. We are trying to bring Iraq back to its former self. We know that communications is about half speed and that will cost another $10 billion.

We know we will need a minimum of 50 or 75,000 troops. General Shinseki says 200,000 troops. General Nash, a previous commander over there in the first Gulf War, mentioned a couple hundred thousand troops. We had 70,000 in Bosnia. It is difficult for me to think that just as an opener we will not need $50 to $75 billion. I find it difficult to understand why we are not including that and discussing that when we are talking about the budget for the future, when we know we are going to have to get the expenditures.

As I heard, the argument was, we don't want to put it in because it will be part of a baseline in terms of future spending, which suggests that we are not rational enough or sensible enough or responsible enough to be able to deal with these figures down the road.

I don't want to be unfair to my colleague from Wyoming. If I don't have it right, I will be glad to yield for a question.

Budgets are the way a nation sets its priorities, and the priorities in the Republican budget are profoundly wrong for America. It fails to address the real problems of real families. It appears to have been drafted in a sound-proofed room so that the voices of working men and women, students and senior citizens could not be heard. It's a harmful rehash of the same failed economic policies that have caused so much misery and pain for so many Americans.

In the 2 years since President Bush took office, the well-being of American families has declined at an alarming rate. Ask most Americans how their lives have changed since President Bush took office, and they will tell you. Declining job security. Disappearing retirement savings. Plummeting school budgets. Rising college tuition. Skyrocketing health care and prescription drug costs. Duct tape and plastic sheeting instead of real steps to make neighborhoods secure. Federal budget deficits as far as the eye can see. The White House has not only failed to feel their pain, it has made their pain worse.

Even when it comes to the Government's highest obligation—the safety of our country—this budget falls short. Al Qaeda and other terrorist groups are planning every day how they can inflict yet another terrible act of terror on our soil. We deserve better than duct tape and orange alerts to protect our communities from terrorism. We need a budget that ensures that fire fighters and police officers and health care workers and other first responders have the resources and training they need to protect us. We need to protect not only our airports, but our seaports and bridges and schools and other public buildings.

At the same time, President Bush is preparing for a new war with Iraq. At this very moment, a quarter of a million American men and women in uniform are poised in the Gulf, awaiting the order from their Commander-in-Chief. They are prepared to sacrifice their lives for their country. Even after the war, we face an uncertain future in Iraq as we struggle to win the peace. We all know that to do the job right in Iraq may well require a huge commitment of dollars and troops over many years, and it is far from clear that we will have significant support from other nations in this mission.

But what does this budget propose? Yet another round of tax breaks for the very wealthiest Americans.

How will more tax breaks for the wealthy hire more qualified teachers to teach our children? How will another tax break for millionaires help working men and women get job training and find a new job? How will another tax break for the wealthy help families afford health insurance or provide prescription drugs under Medicare? How will another tax break for the wealthy help them recover their lost retirement savings? How will another tax break for the wealthy win the war against terrorism? How will a mountain of budget deficits help us build a better future for our children? And how will more tax breaks for millionaires help us defeat Saddam Hussein?

With the economy in shambles and continuing threats from terrorists, these are not normal times. Our responsibility in Congress is to pass a budget that meets the challenges of our times. Instead of more tax breaks for the wealthy, we should be concentrating on our national security and our economic security.

We should enact no further permanent tax breaks until the costs of war with Iraq are determined. Giving our troops everything they need to do the job, and to do it safely, should come first.

Surely, when our troops come home, we want them to come home to better schools, not schools facing drastic budget cuts, fewer teachers, and with crowded classrooms. We want them to come home to a strong economy, with jobs that let them care for their families and save for a secure retirement. We want them to be able to afford health insurance and look forward in their retirement years to a strong Medicare program that helps them afford the prescription drugs they need.

This budget fails these tests. It rejects the steps needed to restore the economy, and instead embraces ideologically rigid policies that have not worked and will not work. In 2001, President Bush pushed a $1.3 trillion tax cut through Congress that disproportionately benefits the wealthiest taxpayers. Now, the administration is seeking an additional $1.6 trillion in tax cuts, even more heavily slanted toward the rich. That is not the solution to the problems facing working families. That is a strategy that will only add to their problems.

These problems have grown steadily worse since President Bush took office in January 2001. Certainly, his policies are not the sole cause of the economic downturn we have witnessed in the last two years. The stock market began its decline before he took office, and so did the recession. The economic shock caused by the September 11 attack was beyond his control. However, the response of the administration to these economic challenges has been ineffective. The President's single-minded commitment to tax cuts for the wealthy as the cure for every economic ailment has made a bad situation worse. The administration has ignored remedies that would provide a significant short term stimulus, while undermining our long-term economic strength. As a result, the economy continues to stagnate, and the number of families facing hardship continues to grow.

Huge numbers of working men and women have lost their job security. As layoffs mount, they live in fear of being the next to be let go. There are two and a half million fewer private sector jobs in America today than there were just two years ago. Those looking for a job are finding it increasingly difficult to obtain one. The number of long-term unemployed workers has increased by nearly 200 percent since President Bush took office. The Bush administration is the first administration in fifty years to have a net loss of private sector jobs. In the face of these problems, Republicans have been slow to support an extension of unemployment benefits. They continue to oppose assistance for one million workers facing long-term unemployment and for hundreds of thousands of part-time and low-wage workers who currently receive no benefits.

Mr. President, this chart shows the 2.5 million private sector jobs that have been lost in the last 2 years. From

111.7 million jobs in January 2001, to 109.2 million in February of this year.

Health insurance is becoming less and less affordable for millions of workers and their families. Over two million more Americans are without health insurance today than there were two years ago. One in ten small businesses which offered their employees health insurance in 2000 no longer do. The average cost of health insurance is rising at double digit rates—up by 11 percent in 2001 and another 12.7 percent in 2002—nearly four times the rate of inflation. The health care squeeze on working families is getting tighter and tighter.

The cost of higher education is rising beyond the reach of more and more families. The gap between the cost of college tuition and the tuition assistance provided by the federal government has grown by $1,900 in the first 2 years of the Bush administration. Yet, Republicans oppose efforts to meaningfully increase financial aid for qualified students. As a result, the number of worthy students being denied the chance to go to college is growing each year.

For millions of families, their retirement savings have seriously eroded in the last two years. The value of savings in 401(k) plans and other defined contribution plans has declined by $473 billion in the last two years. The value of individual retirement accounts dropped by $229 billion in 2001. The 2002 data are not available yet, but given the poor performance of the stock market, it will be another steep decline. Many middle-aged workers who thought their retirements were secure are suddenly being forced to consider staying in the workforce longer and reduce their standard of living in retirement.

These are the realities American families face today. It is no surprise that consumer confidence has dropped more than fifty percent since President Bush took office.

The fiscal well-being of the Federal Government has suffered as dramatic a reversal as the financial well-being of America's families. When President Bush took office, CBO projected a $5.6 trillion surplus over the next ten years. Two years later, that surplus has disappeared. CBO's most recent projection is a $378 billion deficit over that same period. Part of the surplus disappeared with the economic downturn, but a major portion of it was dissipated by the policies of the Bush administration. It is even more disturbing that the White House has not learned from this sad experience. If Congress enacts the proposed budget submitted last month by the Bush administration, the deficit will grow to over $2.1 trillion. These numbers have a serious real world impact. The President's plan would make it impossible for the Federal Government to meet its most basic obligations to the American people.

To all these problems, the Bush administration has one answer—more and more tax cuts predominately benefitting the wealthiest taxpayers.

In this current situation, the most irresponsible action Congress could take would be to accept the proposal of the Bush administration to enact major new permanent tax cuts. The combined cost of the President's plan to exempt dividend income from taxation, accelerate the tax cuts for the upper income brackets, and make the 2001 tax cuts permanent would be over $1.3 trillion in the next 10 years. This immense increase in the deficit would also trigger an additional $300 billion in interest costs on the larger national debt. We cannot afford the loss of an additional $1.6 trillion from the Treasury. Temporary tax cuts to stimulate the economy are affordable, but the President's large, permanent tax breaks are not. If the Bush plan is adopted, the Federal Government will not have the resources to meet urgent domestic needs in education, in health care, and in homeland security. Even more troubling, their plan will make it virtually impossible for us to keep the commitment of Social Security and Medicare in future years.

If Congress accepts the budget which Senate Republicans have proposed, the on-budget deficit will be nearly four trillion dollars by 2013. That fact is not in dispute. The number comes right from the Chairman's mark. The cumulative on-budget deficit in fiscal year 2013 will be $3.948 trillion—an extraordinary amount. More than three-quarters of that amount is directly attributable to the Bush tax cuts enacted in 2001 and the additional cuts proposed in 2003.

The impact of these new tax cut proposals is clear from the administration's own budget. When the President says ''no'' to obviously needed spending on urgent domestic priorities such as education and health care, he says the war on terrorism requires us all to tighten our belts. The burden of these sacrifices falls mainly on low and middle income individuals and families. The President refuses to ask the wealthiest taxpayers to share the burden.

In the midst of his repeated calls on others to sacrifice, he is advocating over $1.3 trillion in new tax breaks—$726 billion for his ''economic growth'' package and $624 billion to make the reduction of the higher brackets and the estate tax repeal permanent—primarily for those with the highest incomes. That policy is wrong.

As a result of the Bush tax plan already enacted, the wealthiest 1 percent of the taxpayers will each save an average of $50,000 a year, and now he wants to give each of them even more—an additional $25,000 a year.

This chart indicates who benefits from President Bush's tax cut proposal. This is a Brookings analysis. We see on this chart $88,000 to millionaires, $239 for working families.

It cannot be wartime for middle America, but still peacetime for the rich.

The Bush administration is using the recession to justify major new permanent tax breaks for the wealthy. Exempting dividend income from taxation will take $400 billion out of the Treasury over the next 10 years. Half of that enormous amount—$200 billion—will go directly into the pockets of the richest taxpayers.

The information on this chart is from Citizens for Tax Justice. Under the Bush plan to eliminate the tax on dividends, the richest taxpayers get half the savings, pocketing $200 billion; 49 percent goes to the richest 1 percent; 31 percent goes to the next 10 percent. Effectively, 80 percent of the benefit goes to the richest 10 percent.

The American people deserve better from the White House. We should be freezing the rates of the top income tax brackets at their current level and maintaining the estate tax on estates over $4 million. We should not be enacting any new permanent tax breaks for the wealthy when we are so clearly failing to address so many of our most basic, urgent national needs.

For the cost of reducing the tax rate—listen to this, Mr. President—for the cost of reducing the tax rate on the top income brackets, we could provide the additional education funding needed to keep the promise made in the No Child Left Behind Act for a decade. We could fund that program for a decade.

For the cost of permanently repealing the estate tax on multimillion dollar estates, we could help to ensure that Social Security has the financial resources needed to keep the promise of a secure retirement for future generations. That is the alternative.

For the cost of President Bush's newly proposed $726 billion package of additional tax breaks tilted to the most wealthy taxpayers, we could fully fund a generous program of prescription drug assistance for senior citizens and extend health insurance to more uninsured families. That is the alternative.

Which does this body want to do? Which of these choices will make the American community stronger and better able to face the challenges of the future? The decision to pass more and more tax cuts for the richest among us is a decision to ignore America's greatest needs. Now is the time for Congress to bring our policies back in line with our national values.

The economy needs a real stimulus plan. A genuine economic stimulus must meet three criteria. It must have an immediate impact, it must be temporary, and it must be fair, bringing the recovery to all Americans and not just to the wealthy few. The Bush proposal fails on all three accounts.

Less than $40 billion of the $726 billion cost of the administration's plan would reach the economy in 2003 when it is needed to stimulate growth. That is, of the $726 billion of the President's proposal, only $40 billion of it would be stimulative right now, Mr. President. Most of the revenue will be spent long after the recession has ended. More than $570 billion of the total amount would not be spent until 2005 or later. In contrast, our Democratic stimulus proposals would put much more money into the economy in 2003, with little additional long-term costs. Temporary tax cuts to stimulate the economy are affordable, but the President's large permanent tax breaks are not.

The cost of the new permanent tax cuts of the President's plan is so high—$1.3 trillion over 10 years—that it would dramatically expand the deficit, leading to higher long-term interest rates. These higher rates could actually prolong the recession by making it more expensive for businesses to borrow the money they need to grow. The overall White House proposal is unfair to most Americans. It will provide a tax cut windfall to the wealthy few, while neglecting the needs of working families, and it will not provide the timely and targeted stimulus the economy needs.

The stimulus plan proposed by the Democratic leader would inject $140 billion into the economy this year, and it is designed in a way that will maximize the stimulus effect of each dollar. Half of the total amount—$70 billion—would be used to provide immediate tax relief to working families. Each person who pays either income tax or payroll tax will receive $300, and families with children will receive additional tax relief. Thus, a family of four would receive a $1,200 tax cut this year. It is a fair plan that will provide tax relief to the hard working families who need it most and are most likely to spend it quickly. In designing a stimulus tax cut, it is particularly important to include relief for low wage workers who pay substantial payroll tax but owe no income tax. The Democratic plan covers the millions of workers in this category who are excluded from the administration's much more costly plan.

The Senate Democratic plan also provides immediate, targeted tax relief for businesses to stimulate new investment. It accelerates depreciation to 50 percent for this year and triples the amount small businesses can expense this year. The goal is to provide businesses with strong tax incentives to invest in new plants and equipment now, rather than postponing those expenditures until further years.

Our plan also recognizes the dire fiscal problems that state and local governments across America are facing. These governments must balance their budgets each year. When a recession cuts revenue sharply, state and local governments must either raise taxes or cut spending. Either step will deepen and prolong the recession, and undercut our stimulus efforts at the Federal level.

It is also important to remember that more people need to rely on state and local programs in an economic downturn. The number of people eligible for Medicaid grows substantially in times of recession, and many other costs rise as well. Without jobs and without health care, families have no where else to turn. We should make certain that the needed resources are available for them. The Democratic stimulus plan will provide $40 billion to hard-pressed states and communities. It will provide additional dollars to maintain health care, education, and social services. It will also help with the substantial costs of dealing with the threat of terrorism. It is money well spent which will help stimulate the economy now. Unfortunately, the Republican budget totally ignores this need.

The American people face a health care crisis. The administration and Republicans in Congress have responded with a budget that not only fails to address this crisis, but advances an extreme right wing agenda that will make the crisis worse.

Every American family is experiencing some aspect of this crisis. Health care costs are skyrocketing, and families with insurance are facing unaffordable premium increases at the same time benefits are being reduced. The number of Americans without any insurance at all is unacceptably high and rising rapidly. No family with insurance today can be sure that it will be there tomorrow if serious illness strikes. And for senior citizens, the national promise of affordable health care through Medicare is being broken every day because Medicare does not provide prescription drugs.

In the face of this crisis, the administration and the Republicans in Congress have proposed a budget that pays lip service to meeting the needs of senior citizens for prescription drug coverage, but fails to provide resources that are adequate for the job.

Even worse, they have proposed to dismantle Medicare and force senior citizens into HMOs and other private insurance plans in order to obtain the drug benefit they are offering. They are proposing to use Medicare as a piggy bank to fund tax credits for the rich. Under the House budget resolution, the Ways and Means Committee is directed to come up with $214 billion in Medicare savings so that the wealthy few can become even wealthier.

It is no accident that the Bush administration's program depends on forcing senior citizens into HMOs and other private insurance plans. Whether the issue is Medicare or the Patients' Bill of Rights, the Bush administration has consistently stood with the powerful special interests that seek higher profits and against the patients who need the medical care. If all senior citizens are forced to join an HMO, the revenues of that industry would increase more than $2.5 trillion over the next decade. Those are high stakes. There is a big reward for HMOs and the insurance industry if the Bush administration plan is enacted. But there is an even greater loss for senior citizens who have worked all their lives to earn their Medicare, and that loss should be unacceptable to all of us. No senior citizen should be forced to give up the doctor they trust to get the prescription drugs they need. No budget accepted by this Congress should put the interests of the rich and powerful ahead of the interests of senior citizens and their families.

The Republican prescription for Medicaid is equally unacceptable. Their proposal would victimize 46 million of the most needy and most dependent of our fellow Americans. The administration is proposing the same type of destructive block grant program for Medicaid that the Gingrich Congress failed to enact almost a decade ago. The Republican block grant would leave many innocent victims in its wake—sick and needy children and their parents, the disabled, and low-income elderly.

In each year's budget process, the Bush administration shows less and less support for education. At a time of enormous unmet student needs, it is shameful for the President year after year to submit anti-education budgets that provide zero overall growth in financial support for education and that cut priority programs for schools.

The PRESIDING OFFICER. The Senator has used 25 minutes.

Mr. KENNEDY. May I get 5 more minutes?

Mr. CONRAD. I will be happy to provide to the Senator whatever time he consumes.

Mr. KENNEDY. I thank the Senator.

The PRESIDING OFFICER. The Senator may continue.

Mr. KENNEDY. Mr. President, it is shameless for this administration to talk about the promise of the school reforms contained in the No Child Left Behind Act while submitting a budget to cut the resources necessary to make school reform a reality for millions of children.

The administration proposes massive new tax breaks for the wealthy, but it has no compunction in proposing that over 6 million needy children must be left behind for every year for the foreseeable future. The administration has no hesitation in proposing that over half a million children be dropped from after school programs.

It even proposes to cut aid to the schoolchildren of the Nation's soldiers serving in the war against terrorism who have been sent off to fight a war against Iraq.

The Senate Republican budget before us rejects the President's cut on the Impact Aid Program for military schoolchildren, but it still cuts funding for the No Child Left Behind Act school reform bill by $700 million.

On this chart, if we look at the years 1997 to 2001 in terms of support for education, it was an 11-percent increase on average during that period of time. Now these figures are the requests, not the actual numbers: In 2002, 3.6 percent increase requested by President Bush; 2003, 2.8 percent; and for fiscal year 2004, half of 1 percent. These figures were up higher because of the work that was done ultimately on the floor of the Senate, but these are the budget requests over the past few years.

In the past, Democrats and Republicans in Congress have worked together to reject the Bush administration's anti-education budgets by a substantial bipartisan majority, and we should do the same this year. We have to make sure Congress lives up to its promise to leave no child behind.

At the same time, we have to provide more college students with financial aid to meet rising tuition costs. The President proposes not one penny, not a single penny, in individual student Pell grants. Without an increase in Pell grants, over 110,000 students are in danger of being shut out of college.

The gap between the cost of college tuition and the level of tuition assistance has grown by $1,900 since President Bush took office. Yet this budget does nothing to narrow that gap.

Young Americans now have an average of $17,000 in student loan debts. Low- and moderate-income students face more than $3,000 in annual college costs not covered by financial aid, work study, or savings. This budget does nothing to help these students.

Just as Social Security is a promise to senior citizens, we should make education security a promise to every young American. If one works hard, finishes high school, is admitted to college, we should guarantee that they can afford the costs of the 4 years it takes to earn a degree. That was President Kennedy's goal in the 1960s and it must be our mission today, and we will fight on the Senate floor this week to make the dream of a college education a reality for all. We will fight this month, this year. We will not stop because the fight is for America's future.

Finally, as I mentioned earlier, this budget fails to include the costs of the impending war in Iraq. The Senate Republican budget contains no money to pay for the war in Iraq, which may begin in a matter of hours, and no money for the cost of occupying and rebuilding Iraq after the war.

The President has refused to submit a cost estimate to Congress despite repeated requests. Over 200,000 military personnel have been moved into place for the war; 90,000 more are on their way. Many of them are from the National Guard and Reserve. They had to be mobilized especially for this mission. The Pentagon is already soliciting proposals from major contractors for the rebuilding of Iraq, yet the administration continues to stonewall us on the costs of the war.

The President knows that the overall costs will be enormous and is obviously afraid of sticker shock when he discloses the facts to the American people. The President does not want to tell Congress what the war will cost until his tax cut proposals are locked in. He is afraid if he tells us, Congress might do something sensible, such as reducing the size of the tax cut to help pay for the war. That is the last thing this administration wants—Congress making responsible fiscal decisions.

So instead, this Republican budget is asking us to pretend that the war is not on the horizon. The Senate of the United States cannot accept such a sham. Let's do the responsible thing: Pay for the war with Iraq and the aftermath before we have another tax cutting raid on the Treasury.

The timing of the President's tax cut could not be worse. We already have record deficits. We are about to go to war. We have never cut taxes in wartime before in the history of the country, and now is not the time for new permanent tax cuts.

The Republican budget fails to provide even one dollar to address the costs of the impending war with Iraq. It places more tax breaks for the wealthy ahead of the needs of our men and women in uniform who are making the greatest sacrifices. Funding for their needs should be our highest priority, not an afterthought.

As I have said, it cannot be wartime for most Americans but still peacetime for the wealthy. The wealthy should have to wait for their tax cuts, at least until the costs of the war and reconstruction of Iraq are addressed.

I thank our ranking member for the time he has yielded, and I yield the floor.

The PRESIDING OFFICER. Who yields time?

The Senator from Oklahoma.

Mr. NICKLES. I yield whatever time he consumes to the Senator from Idaho.

The PRESIDING OFFICER. The Senator from Idaho.

Mr. CRAPO. Mr. President, I appreciate the opportunity to discuss this important issue. This week we are going to be discussing a number of critical issues, as has already been mentioned by a number of those who have spoken. It is expected that the possibility of war with Iraq will come closer, if not become a reality, sometime in the near future. At the same time, we are debating probably the biggest economic issue, and the biggest issue for the management of this country, that the Senate will deal with this year, as we put together the budget resolution. In that context, I will basically give a brief overview of how we got to where we are, where it is that we are, and the decisions we will be making.

Many people will remember that a few short years ago we were talking about major surpluses across the board and for as far as we could see into the future. In fact, I have in front of me a projection that was based back in January of 2001, which estimated that in this budget year that we are working on right now, the 2004 budget year, the surplus was projected to be around $396 billion. This same sheet shows what the projection today is as opposed to what was projected in the year 2001, and the projection is around a $199 billion deficit. In other words, just for the budget year in which we are working, the projections over the last essentially 2-plus years have gone from a projection of a $396 billion surplus to a $199 billion deficit.

Now, what caused that? We will hear a lot of debate about what caused it. In fact, it has already been said today that President Bush's tax cut from a few years ago caused it, that President Bush's economic policies have caused it. In reality, we are going to see some of the numbers that have been put together.

What happened is that on 9/11 the United States was attacked by terrorists and people saw the World Trade Center collapse. People saw what happened very vividly as the United States responded to the fact that we were at war with terrorists. Following that, there were massive increases of spending at the Federal level; spending required to respond to the 9/11 attacks; spending required to address the war against terrorism, for example, the war which we have fought already in Afghanistan; spending to deal with our homeland security; spending to deal with strengthening our national security and preparing ourselves to be sure that America and Americans are safe throughout the world as we deal with an increasingly dangerous world.

In addition to that, spending has gone up on health care. Spending has been driven up in a number of the other social areas of our budget. We saw very little relief, if not in fact dramatic increasing pressures, for spending in the last 2 years. At the same time, the economy collapsed.

I will put up our first chart. We have seen this chart already today, but this chart shows that at the same time our spending started to go through the roof, as spending started to go up dramatically, revenue, which is the blue line, dropped off dramatically. The revenue dropped off dramatically for a number of reasons. It has been said that the revenue dropped off because of President Bush's tax cut. In part, that is true, because although that tax cut was phased in over 10 years and although most of that tax cut has not even occurred yet and cannot be the responsibility of these declines in revenue, a part of it was. There was tax relief, and as a result of that tax relief there was some decline in revenue. However, let's go to the next chart.

This next chart is another way of looking at the same thing. Again, the blue is revenue and the red is spending. The revenue since 2000 has gone down precipitously. The spending in Washington has not. This is another way of showing we are facing the dual problem of increasing pressures on spending and reducing our falling revenue to support the Federal budget.

Why did the fall-off on revenue happen? This chart shows what happened in our economy. This is the Nasdaq. Starting in 2001, it hit about 5,000. It is now down to—when the chart was made—around 1,200 and is hovering in that neighborhood today, about a 75-percent reduction in the values just on this market. The same type of charts could be put here for the New York Stock Exchange or for other exchanges across the world which have seen worldwide dramatic reductions in economic activities.

Virtually everyone who pays any attention to the economy these days knows the bubble popped and the economy went into a serious collapse. Many have called it recession. We have held dozens of hearings in Washington to understand what happened, why it happened, and how soon we will be able to climb out. People know about the Enron debacle, the WorldCom debacle, and the loss of confidence the American people have in our markets today, which loss of consumer confidence has generated further difficulty in the economy. People are also aware we are potentially going to have to go to war in Iraq. That cloud over the economy itself is generating the kind of lack of confidence in economic activity that causes us to have difficulty in seeing a rebound in the markets.

The next chart shows what it was that caused us to see the dramatic change in our deficit. This chart shows the year 2004. There are charts that can predict it out for 10 years and add in some of the proposed stimulus package. But this chart shows what caused us to end up where we are today in the budget.

Over half of the problem we are facing is what I have been discussing, the weak economy and changes in the estimates of what revenue will be coming into the Federal Government through our current tax and revenue structure. As I indicated, a portion is attributable to tax relief, although this is static scoring, and if one looks at what tax relief does to the economy, I suspect that number will go down dramatically. Static scoring shows nothing but 100 percent loss of revenue for any tax dollar relief.

But we know when there is tax relief, that causes an impact in the economy. That dollar is not spent by the Federal Government but spent somewhere else, and if the relief is effectively projected, it could be significant. So this number could be reduced significantly. But even if we use static scoring and say a tax cut reduces revenue, dollar for dollar for the Federal Government, only 19 percent of what we look at now is attributable to the tax relief we passed a few years ago in the Senate and the House. That is another 6 percent for tax relief not attributable to the vote a few years ago and the increased spending.

Take just the increased spending that has been caused in Congress by September 11, the war on terrorism, the need to beef up our national security, the increases in health care costs, and a number of other cost drivers we have in our budget. Take the increased spending and the collapse of the economy. It represents 75 percent of why we are where we are.

I suspect during the week we will hear how President Bush's economic plan caused us to be where we are. Here are the facts. There will be a lot of projections and a lot of charts, but nothing can change the reality of what happened on September 11, what our response to it has been, and what happened in the economy following that. That, in a nutshell, is what caused us to end up where we are.

With that explanation of what happened, we get to a situation where this economy has put forward a budget. I will be rough in my numbers because I don't have the charts in front of me. If we do nothing, if this committee simply says we will keep Federal spending at its current levels—we will not drive it up or down, we will not reduce taxes or increase taxes, we will take current law as it now sits—someone could give me a more accurate number, but it is in the neighborhood of $150 to $200 billion of deficit, if we do nothing.

The question is, Should we do something? Should we cut spending in an effort to keep the difference down? Should we raise taxes? I don't believe there is anyone who is suggesting raising taxes right now is a good idea. But there are those who are suggesting because of this, because the economy is no longer contributing what it was contributing before, and because if we learned any lesson in the last few years, it is that the way to get out of these economic difficulties in the Federal budget is to have a strong, flexible, dynamic, vibrant, resilient economy—if we want to do something to make this gray part of the chart get stronger and become better in terms of generating revenue for the Federal Government, then we should have some kind of a stimulus package.

So the debate comes around: Should we cut spending? Should we freeze spending? Should we keep spending controlled? Should we reduce taxes? Should we have a stimulus package? And if so, what, and how?

Looking at the spending side of this equation, the spending drivers in this budget are the beef-up in our national security. In fact, these numbers do not even include the possibility of a war with Iraq. I will talk about that in a moment. The increase in our national security spending, the increase in the costs of fighting the war on terrorism, the increases in homeland security, and the increases in health care—and there are a few others—are the main drivers of the increases in costs in this budget. I don't believe there are very many in the Senate, or in America, who would say right now is the time to cut defense spending or right now is the time to cut homeland security spending. We can hold the line, and we are going to do that, and this budget does put significant pressure on holding those lines, but there is not a lot of room in the circumstances we see right now to reduce those spending areas, although we will work our hardest to do so. I believe we will do so in a bipartisan fashion to get to the right numbers on the budget.

To make a quick aside, I have fought for a balanced budget amendment for years. I still believe we should have one. As I and others have fought for a balanced budget amendment, one of the examples for exceptions we have always acknowledged is we could see a situation where we would need to tolerate deficits for a period of time if we were facing war or a national emergency declared by the President. Today I believe those circumstances face us. I believe we are at war today with terrorists. I believe it is very possible we will be at war with Iraq soon. And I believe we face a national emergency in terms of our homeland security needs. Those are the unfortunate realities that cause us to have very little flexibility on the spending side of this budget, although again I say we are going to do everything we can to bring it under control on the spending side.

The question is, What do we do then, after we have done everything we can on the spending side? By the way, contrary to some of the arguments heard today, the budget proposed works its way back to a balance. It takes 10 years to do so. I am very disheartened by the fact, with the spending pressures we see and with the revenue dropoff we have seen, that our projections are going to take us 10 years to get back into balance. The fact is, this budget balances over the 10-year period.

What do we do when we look at this revenue side? The question is, Do we do nothing? There are those who have advocated today that we should not have any tax relief. One argument is, have no tax relief until we know what the cost of the war is. Another argument is, have no tax relief because we should not have tax relief when we face this kind of spending pressure in the budget. And when we face these kinds of problems we have talked about that legitimately cause us to have to increase expenditures in major categories, we should not be looking at tax relief.

There is another side of the argument, and that side of the argument is, unless we do something to give a basic boost, a shot in the arm, a revitalization to our economy, we will see the grow-back of this weakened economy be much slower. It gets back to that argument about dynamic scoring, of what a tax cut really will do. That is one of the reasons President Bush has proposed—and this Budget Committee has proposed to the Congress—that we have tax relief.

As our chairman of the Budget Committee has indicated, this Budget Committee does not write the tax bill. We simply tell the rest of the Congress, and in this case the Finance Committee, how much money we are willing to budget for them to utilize in establishing a tax cut. Then the Finance Committee can come together and, in its best wisdom, craft the most effective tax cut designed, in their opinion, to do the best for our economy.

That having been said, there are proposals out there. The President made his proposal. This budget accommodates the President's proposal. The President's proposal is to do basically three things.

It is to take the tax cut that we passed in the year 2000 and make it permanent. Most people in the country never quite understood why it was that Congress would pass a tax cut and make it only last for 10 years, phase it in over 10 years, and then have it expire basically as soon as it is phased in. It has to do with some interesting procedural requirements on the floor of the Senate which I will not get into now, but the fact is the tax cut which was implemented a few years ago will expire in 10 years, and the first part of the President's plan is to make it permanent.

The second part is to say we should not phase it in over 10 years. We should accelerate it and implement it all now.

The third part has a number of pieces, but the core of it is elimination of double taxation on dividends.

Let's put up the next chart.

There is a big attack on this. Frankly, in all these areas the attack starts out—you will hear this said dozens of times in the next few days—it is a tax cut for the wealthiest of Americans.

I have been in Congress now 10 years. I served 6 years in the House, 4 years in the Senate. I am in my fifth year in the Senate. Over that 10 years, in virtually every year I and others like me who want to see taxes cut and reduced, when we have fought for tax relief, every single solitary time that we proposed a tax cut of any kind or nature, it has been attacked as a tax cut for the wealthy. Every time. Even when all we did was propose the marriage tax penalty elimination, it was attacked as a tax cut for the wealthy.

The common rhetoric of those who do not support reducing the Federal tax burden begins with ''a tax cut for wealthy Americans,'' because the attack is that any tax cut is going to benefit the wealthy. If you look at the numbers, as to who pays taxes in America, it is primarily those in the upper income brackets who pay by far the largest percentages of the taxes. So if you look at actual dollars, you can make that argument.

But if you look at what is being done in the tax relief proposed by the President on a proportional basis, on a percentage basis, the biggest amount of tax relief is going to those in the lower income brackets.

As this chart shows, those earning from zero to $30,000 will have their taxes reduced by 17 percent. Those earning from $30,000 to $40,000 will have their taxes reduced by 20 percent. In the $40,000 to $50,000 category, the reduction is 14.5 percent.

You can see as you go up in income categories, until you get past the $75,000 to $100,000 figure, the higher percentage reductions are all occurring in the lower brackets. The higher income brackets have the lowest percentage of income reduction.

Again, one could take the actual dollars, but because very few numbers of Americans fit in these categories proportionately, but they make the higher levels of income, a smaller reduction in their taxes is going to give them a higher dollar benefit and people can use dollar numbers to show that. But the reality is that the higher percentage of relief is going to those in the lower income categories. It is pretty much impossible to have a tax cut, unless it is just a tax cut for the lower brackets, that doesn't have some relief across the board, and then allow those to make that argument about the tax cut for the wealthy.

In my opinion, it is class warfare. It is attempting to say those at the upper ends of the income brackets in America should have no tax relief and all tax relief should be favored toward this end, toward the lower income brackets. What happens if you follow that logic is that eventually no tax cut is ever acceptable because the tax down in these categories gets to the point where, no matter what you do with it, unless you eliminate it, it doesn't generate the revenue reductions or doesn't generate the stimulus to the economy that is necessary to get the impact that is desired. That is where we are today. That is why we are seeing these arguments.

I think it is very unfortunate that every time we try to cut taxes in this Congress the first response is that whatever the tax is that is proposed to be reduced, it is a tax cut for the most wealthy Americans.

Let's go back to the chart I just took down. With regard to the proposal that we eliminate double taxation of dividends, Charles Schwab, the founder and chairman of Charles Schwab Company, indicated in a Washington Post commentary on March 11 of this year:

> I can't think of any other tax policy that would, at one stroke, be more beneficial to ordinary investors.

I suspect somebody could say only rich people invest, and therefore this is a tax cut for the wealthy. But I do not think that argument is going to be made too strongly on the floor this week because most Americans are now involved in the markets in one way or another, even if it is only through their retirement plans. But most Americans know it is critical to see things like the New York Stock Exchange and the NASDAQ and others get a boost.

Charles Schwab goes on to say:

> The impact [of dividend relief] would be enormous.

I believe in that same commentary he indicated his personal belief to be he would expect to see the stock market rise 10 or 15 percent with a renewed bolt of confidence throughout the entire economy just by doing what the President has proposed with regard to the double taxation of dividends.

We have another financial expert in the country who has weighed in on this issue, Alan Greenspan, on February 12, before the House Financial Services Committee:

> In my judgment, the elimination of the double taxation of dividends will be helpful to everybody.

I think he was responding directly to this notion that it only helps a certain class in society. He was responding to this class warfare argument that continues to be brought up as we try to address tax policy. He said:

> There is no question that this particular program will be, net, a benefit to virtually everyone over the long run, and that's one of the reasons I strongly support it.

The reason it is strongly supported by these experts is because today, as has been indicated by others who have spoken on the floor, there is very little incentive in a corporation to generate dividends. That is because, if those dividends are paid out, they are taxed twice. As the chairman of the committee indicated, the net tax burden is about 70 percent. Whereas, if the corporation instead incurs debt, and further leverages itself, then it gets a deduction for that debt or it gets a deduction for a portion of the debt costs. So it can actually get a tax benefit for going further into debt, and it pays a tax penalty if it sends out dividends to its shareholders.

What we have seen is corporations increasingly following this path because of the pressure that is put on them by our Tax Code, putting themselves further and further into leveraged positions which I believe is one of the reasons we saw what happened to Enron. That is why Enron had to go through these incredibly complicated sets of transactions to try to mask the amount of debt it was really carrying. It is the same with many other corporations.

If we want to encourage corporate America, which generates strength and jobs for this country and the families which depend on those jobs, if we want to generate pressure in the business community for the kinds of proper decisionmaking that will give us stable, strong businesses that will generate strong and lasting jobs, then we need to address the policies by which we tax them. We need to encourage policies that will support dividend payment rather than debt. That is one of the reasons why you see so many experts saying it is critical for us to move into this new kind of tax policy.

The question is—given it is good policy—can we do it now with this very dire budget situation we face? That is a tough question. It is a tough question for me to answer because in the short term it will cause our deficits to go up, although the amount of that is in discussion and in dispute because some will use static scoring, and some will use dynamic scoring, and we really don't know the dynamics of it.

There will probably be charts here today that show all these projections have the potential to be widely inaccurate; and we all agree with that. But the fact is, we do know there is a dynamic that occurs when we change our tax policy, and the experts are telling us that dynamic will be beneficial to making our economy more flexible and more resilient.

So the question is, Do we take this stand now? Do we do what is necessary to give a boost to the economy, realizing it may take a period of years for the real strength of it to build us back to where we have made our posture stronger, do we sit tight and do nothing now and hope the economy grows out of it on its own or, as some will probably suggest, do we spend ourselves into prosperity? Does the Federal Government take the position that we need to have a lot of spending, a lot of stimulus in the economy, and we should just not concern ourselves with the deficit but spend ourselves back into a strong position economically?

As you might guess, I strongly reject that ''spend ourselves back into prosperity'' argument. It will probably never be said that way today or throughout this week. But I encourage people who follow this debate to note, when amendments are proposed, do those amendments drive up the deficit or do they not? Do those amendments drive up Federal spending or do they not?

Let's go back to that first chart with the lines, because as we debate amendments on this budget, the amendments will generally have one of two or three impacts. They will either be deficit-neutral, which means they could increase spending by increasing taxes or they could reduce taxes, which is reduce this line, or they could increase spending, which is this line.

I think it is very important for people to pay attention to the amendments that are offered because this whole week I hope we do not get any amendments on the floor that would drive the deficit up with more spending. I would hope we would recognize the deficit increases that are caused by the tax reductions can be addressed with an understanding of the dynamic impact they will have over time.

Just a couple of other arguments I want to address.

It has been said the proposals of this budget spend the Social Security trust fund. I understand what is being said there. Let me clarify what the situation is because I do not believe Americans should go away from this debate believing that somehow the Social Security trust fund is being robbed. The fact is, regardless of whether the tax cut is eliminated from this budget or whether it is put into this budget, the Social Security trust fund, at the end of the 10-year cycle, will be about $4.1 trillion. It will be the same trust fund no matter what happens. Because what occurs is that, in the Social Security trust fund, the excess that comes in from payroll taxes that is not spent out into the Social Security system is a part of that surplus. That surplus is turned into Federal debt instruments.

Then, what are those Federal debt instruments used for? Spending, or for tax relief, or for whatever is a matter for Congress to address. But the fact is, those Federal debt instruments are there, and they are still there to protect Social Security.

My last point. Some have said we should not do anything because we are possibly going to be going to war. Again, the argument there seems to be that tax relief is not wholesome for the economy; therefore, we should not be doing anything to destabilize the economy.

I believe what I have said indicates where I come down on that point, that the fact is we must do something to stimulate and strengthen this economy. The medicine we need is in the President's proposal and is made possible by the projections of this budget.

Although we will face some very expensive and very difficult budget decisions, if the United States goes to war in Iraq, that simply increases the need for us to do our best to make this economy strong and to do what we can, through our tax policy decisions, to put us in the best posture to have a flexible, resilient economy in these difficult world circumstances. So for all these reasons, I encourage this Senate to support this budget.

I yield the floor.

The PRESIDING OFFICER. The Democratic leader.

Mr. DASCHLE. Mr. President, I wish to speak as in morning business and I will use my leader time to do so.

SALUTING SENATOR ROBERT C. BYRD

Mr. DASCHLE. Mr. President, about 3 months ago, a remarkable discovery was made. In an abandoned storeroom in the subbasement of this Capitol, two Senate staffers discovered the long-lost, handwritten payroll records of the Senate from 1790 to 1870.

The ledger contains a vast wealth of information about the birth and the history of this Senate. It also contains authentic signatures of John Adams, Thomas Jefferson, and Aaron Burr. Historians say it is very likely the only document in the world signed by all three of those giants of American history.

Three days after it was found, I was able to hold that ledger in my hands. Every page I turned revealed more legendary names: James Monroe, George Mason, Abraham Lincoln, Daniel Webster, Henry Clay, John Calhoun. It was a rare privilege to be able to hold such a tangible link to the giants of this Senate. For the last 16 years, I have had the privilege to be able to serve with—and learn from—a living link to those giants: the incomparable senior Senator from West Virginia, ROBERT C. BYRD.

Today, we celebrate yet another milestone in Senator BYRD's extraordinary career. As of today, Senator BYRD has served in Congress for 50 years, 2 months, and 14 days. Since the beginning of our Nation, only two Members of Congress have served longer than Senator BYRD.

For the last 44 years—more than half his life—Senator BYRD has served in this Senate—longer than all but one other Senator. I come to the floor today to congratulate Senator BYRD on reaching this historic milestone and to thank him for the many lessons he has taught me and for the kindnesses he has shown me over these many years. I also thank Erma Byrd, Senator BYRD's wife. I have heard Senator BYRD say often that he could not do this job were it not for her support and her love. I thank Mrs. Byrd for sharing so much of her husband with their State, and our Nation, for so long.

At the beginning of our Nation, there was another couple who shared a great passion for democracy and public service. Their names were John and Abigail Adams. On July 3, 1776, the day the Declaration of Independence was signed, John Adams wrote to Abigail about the world-changing events that had occurred that day in Independence Hall in Philadelphia. In that letter, John Adams wondered whether future generations would understand how much the signers of the Declaration had risked so that the Americans who would come after them could know freedom.

Somewhere, I think, John and Abigail Adams must be smiling down on Senator BYRD. In these anxious days, when some argue that the United States must curtail some of our Constitutional rights, or rewrite the balance of powers in our Government, ROBERT BYRD reminds us that principled compromise is a worthy goal—but our basic constitutional principles themselves must never be compromised.

ROBERT CARLYLE BYRD seems as much a part of West Virginia as the Appalachian Mountains themselves. In fact, he was born, in 1917, in North Carolina. After his mother died of scarlet fever, his father gave him up before his first birthday. He was adopted by his aunt and uncle, who took him to West Virginia's coal country. His family had little money.

After graduating from high school and working for a time as a butcher in a coal company store, he yearned for a political life. He began that political life in 1946, when he was elected to the West Virginia state legislature. Six years later, he was elected to the U.S. House of Representatives. And 6 years after that, he was elected to this Senate. Two years ago, he was elected to his eighth term in the Senate. Only one Senator—Strom Thurmond—ever served longer in the Senate. He is one of only a handful of Senators ever to cast 15,000 votes in this body.

Over the years, ROBERT BYRD has served as majority leader, minority leader, President pro tempore and