world; and defy you to show me a country that even comes close to doing the good that this Nation has done.

The United States of America does not have to apologize for anything that we have done. What we have done was for a just cause. What we have done, in my opinion, was the right thing. I think the majority of Americans believe in that.

AMERICAN ECONOMY NOT RECOVERING

The SPEAKER pro tempore (Mr. FEENEY). Under the Speaker's announced policy of January 7, 2003, the gentleman from South Carolina (Mr. SPRATT) is recognized for 60 minutes as the designee of the minority leader.

Mr. SPRATT. Mr. Speaker, on Friday of last week there was more bad news about the economy. The unemployment rate hit 6.1 percent, the highest rate in more than a dozen years. Since this recession started in March of 2001, we have lost 3.1 million jobs in the private sector. That is a loss of 2.8 percent of all the jobs in the private sector; and in percentage terms that makes this one of the worst recessions in the postwar period. That is one of the problems we have got; 6.1 percent does not sound alarmingly bad compared to prior recessions, but it does not begin to tell the story of what is happening in this economy.

First of all, this unemployment rate, 6.1 percent, does not indicate the persistence of this recession. Unemployment is not only up at 6.1 percent, but it has been stuck in this range for more than a year.

As you can see from this particular chart, this graph, this recession is not following the pattern of previous recessions. In previous recessions, the red curve, the U-shaped curve, plots the path that unemployment has taken. It reaches a peak, as it did in March of 2001, typically reaches a trough in about 12 to 18 months and then starts back up again. It takes awhile for recovery, it takes awhile for employment to get back on its feet, but eventually things come back to normal.

There may be a lot of people in this country and in this Congress who think, well, this is your regular postwar recession, it is not a depression, it will come back. But what we trouble about is it is not following the pattern of the postwar recessions of the past, because this black line plots the path the economy has taken. It has not headed back up.

Employment has not headed up, even though we have had signs of a recovery. It feels like a recovery. This is a jobless recovery. Worse still, the job situation is actually getting worse, as this line plots, because, if you follow that line, if you can see the bottom index, this means that jobs should have recovered 12 to 18 months ago, at the very least. We should have seen an uptick, an upturn in jobs; and it should have been at this level by now. Instead, we are still way down here below the trough of the recession. So this is not a recession like any we have had before, particularly when it comes to jobs. Twenty-five percent of all the people who are out of jobs have lost all of their unemployment benefits. They are ''exhaustees,'' we call them.

Second, the unemployment rate we are looking at does not count the 2 million people who have dropped out of the job market. It may be more than that, but at least that number. They have given up the search for a job because they flat cannot find one.

If they were counted in the labor force, the unemployment rate would be in the range of 6.6 percent. But even this figure, 6.6 percent, would not reveal the number of workers who have lost their jobs and found another, typically with lower wages and lower benefits. I see that all the time in my district, anecdotally, and I suspect it is happening everywhere in America.

These folks do not show up in the employment statistics because they are working, but they are working at much less favorable terms than before this recession started. One indication of that is the loss of manufacturing jobs, 53,000 in the month of May alone. Every month for 12 months we have lost at least 50,000 of these jobs, which are the best jobs in industrial America. Manufacturing jobs are hemorrhaging right now.

These workers do not show up as unemployed. They are industrious workers. They have found a job somewhere else, but not at the same terms they once enjoyed. In truth, they are underemployed; but we do not have a number to reflect their status.

Third, this unemployment rate does not say anything about household income. But when you consider the fact of unemployment, which is prevalent, and underemployment, you have to believe a toll is being taken on household income. Rising unemployment has to mean declining household income.

In real terms, in fact, after inflation, the median household in America has seen its income fall by 2.2 percent, or $934. This is serious in itself for the individual household; but it is serious for the economy as a whole, because it means cutbacks in consumption, and it is consumer demand that drives two-thirds of the economy when it is at full employment. If you have weak household income, declining household income, you are not going to have the restoration of demand that is necessary to get this economy up and running.

Fourth is another indicator. Look at real wages of full-time workers on a weekly basis. Let us take the median worker, the person who makes more than half of the workforce and less than the other half of the workforce, the guy who is stuck right in the middle.

Over the last four quarters, the real wages of median workers has fallen every quarter. That is a fact. Now, that may not sound catastrophic. The rate of decline was just 1.4 percent, but it is catastrophic if it is your pocketbook, your household, your median wage. And these widespread weaknesses, moreover, are what are causing our economy to lag and drag and remain mired in a jobless recovery. We saw evidence of that in the numbers we saw last Friday; more evidence of it still, the latest data. We have been seeing this for weeks now, for months now.

Last December, when the Republicans left here and did not extend unemployment benefits and gave a very, very backhanded present to those who are out of a job over the Christmas holidays, we started looking hard at the circumstances and asking what can we do to ameliorate this economy.

On January 6, 6 months ago, we offered a solution. We offered a package of short-term stimulus and long-term balance. We proposed to give all American workers, working families, a tax rebate, $600 at least, based on their 2002 incomes. We proposed to speed up depreciation for all businesses, large and small, to encourage them to invest. We proposed to give the States $36 billion of fiscal assistance, going to Medicaid and highway construction and homeland security, all of this to get the economy up on its feet and running.

But we proposed these remedies for 2003 alone so that the budget would recover when the economy recovered. We did not want to be mired in debt, long-term debt, because we recognize that long-term deficits and deeper national debt would only mean higher interest rates and, therefore, less growth and fewer jobs.

It took our Republican colleagues almost 6 months to do anything. We were about to leave here for the Memorial Day holiday when they finally acknowledged our prodding and agreed to extend unemployment benefits, but not by merely as much as we would have, not for as long and not for the same people, particularly those who exhausted their benefits already.

□ 2115

They have now come up with a package, mainly tax cuts, 62 percent of which go to the top 5 percent on the income scale; they provided some help for the States, and I think that is good, but I think they took that page from our book, not as much as we proposed, though. They proposed tax rebates, again, not as much as we proposed and not to those that we proposed to give the tax rebates to, because we think they should go primarily to the unemployed, to working families with children who need the money and who also will spend the money. We were told today and have been told before by Macroeconomic, by Economy.com, that it is their rule of thumb that for every dollar of unemployment benefit we extend, we generate about $1.73 in economic activity in the economy over the ensuing year.

Well, our Republican colleagues claim that the package that they proposed and passed now will create 1.4 million jobs over the next year. We had an important effort, which the gentleman from Virginia (Mr. SCOTT) saw this morning when Lawrence Michel testified before our small ad hoc committee of Senate and House Democrats and pointed out that the economy itself, if you believe the Council of Economic Advisors and what they are putting on their Web page and what they have been projecting and testifying to, the economy itself, if it recovers as they project over the next 12 months, will generate over the next 12 to 18 months 4 million jobs.

So Michel proposed a yardstick. He proposed we will be able to tell whether or not the President has succeeded, the Republicans' package has achieved its goal if it creates 5.5 million jobs over the next 16 months, between now and November of 2004. Mr. Speaker, 1.4 million for the package itself, and 4 million for the economic growth that the economy is supposed to generate in any event.

Now, is this fair? Is it fair to hold the administration to this kind of test? I say it is fair, because I think what we are going to see as a result of this test will be hard to meet, but it is fair in comparison to what the first Bush administration achieved and also what the Clinton administration achieved. It should be recalled that Mr. Clinton took office in a recession, too, and notwithstanding that, in the first 4 years of his administration, more than 10 million jobs were generated by this economy. Among other things, at that point in time, we raised taxes, but we also cut spending and we started working down the deficit so that every year for 8 straight years the bottom line of the budget got better, the Federal Government literally got out of the capital markets and started paying off debt; $400 billion in debt was retired, paid off between 1998 and 2000. And, in the year 2000, we were in balance without counting Social Security for the first time in 40 years, the first time since the year 1960.

So we believe it is fair to hold the Bush administration to this account, to release 5.5 million jobs. The President says that he wants every American who wants to work to be able to find a job. Well, there are 8 million unemployed Americans waiting for that promise to be fulfilled, for that goal to be attained. We are saying here, at least 5.5 million of those jobs ought to be generated if this package comes true over the next 16 months.

But there is another problem that is seldom talked about when the effects of this stimulus jobs and growth package, so-called, are discussed. And that is that unlike the package we proposed last January, what the Republicans have proposed and put in place right now will have such a huge tax revenue impact or cost, that going out into time, we will accumulate, it is our expectation, as much as $4 trillion in additional debt over the next 10 years. And every economic advisor who has looked at this projection and found it reasonable has said, if that happens, we cannot help but lose jobs and lose economic growth, because the additional credit demands of the Federal Government are bound to drive up interest rates; and when interest rates go up, the growth in the economy will go down, and jobs will go down with it.

So that is the dilemma we face here. That is the problem we face here. The President's package which was proposed and passed just a couple of weeks ago bore a price tag of $350 billion. The problem is, every tax concession in that package has a sunset date, an expiration date, and not a Member of this House, nor a Member of the other body, the Senate, believes that those sunset dates will ever stick. We all believe that when those dates are reached, sooner or later, they will be repealed. The expirations will be relieved, and, therefore, when we take out all of the sunset dates in the tax package that passed here as a stimulus package, the cost of it in revenues is not $350 billion, it is $1 trillion.

Furthermore, to make permanent the tax cuts that were passed in the year 2001 will cost another $600 billion. And, to deal with the problems of the alternative minimum tax, the AMT which the Treasury tells us will affect more and more taxpayers, rising from affecting 2 million taxpayers today to 30 million in 10 years, when we take care of that, try to limit the number of taxpayers whom we never intended for it to apply to, what will happen? It will cost at least $600 billion in revenues over the next 10 years.

So that is the tax cut agenda, and the built-in tax cuts that are bound to unfold here, and that is our concern; that even if the package the administration offered, given its size, does something for the economy, if you raise spending and cut taxes, you are bound to stimulate the economy to some extent. Number one, it is questionable about how much it will do, since 62 percent of it goes to the top 5 percent who probably will not change their behavior in response to it; but in addition, in the long run, it can have a real downward drag on the economy, because it is bound to increase interest rates and bound to slow down the growth of this economy, job creation, stifling growth and stifling job creation. That is our concern. We are not trying to be Cassandras, we are not trying to dump discredit on every proposal that comes forward that we do not happen to agree with 100 percent, but we have deep and real concerns about the long-term direction of the budget that is being given here by Mr. Bush.

I will wrap up my remarks and yield to my colleagues after noting this: The numbers that I have just described, $4 trillion in additional deficits and in additional national debt over the next 10 years are not fabricated or invented by us on the Democratic side, not by our own staff on the House Committee on the Budget. If we look at the budget resolution which our Republican colleagues brought to the floor, and look on page 93 of it in particular, we will see that on that page they summarize on one chart, one table, the effects of their budget and they show that gross Federal debt, all the debt of the United States, will grow from about $6.5 trillion today to over $12 trillion 10 years from now. If we go to CBO's analysis of the President's budget issued in March of this year, and look at it, look at the top line on table 1, the very top line, it shows that $4.4 trillion in additional deficits would be generated if those budget proposals were fully enacted. And, in fact, we are on that course right now, and that is our concern tonight.

Mr. Speaker, I yield to the gentleman from Tennessee.

Mr. COOPER. Mr. Speaker, if the gentleman would take a few questions I would certainly appreciate it, because I would like to have a dialogue with him on these issues.

My impression is that most Members of this Congress, most folks back home are probably finishing up their supper, tired after the long day at work; if they are tuned in to C-SPAN, all of them are wondering where is the straight talk about the U.S. economy, where is straight talk about their job and their future, or how long will their unemployment continue to last. People want real information, real facts. So many of the Federal budget numbers are so large that it is hard for the average citizen to comprehend. It is hard for the average Congressman or woman to understand.

I know the gentleman from South Carolina has played a long and constructive role in budget debates for many years now, helping, for example, in the Clinton years to build a surplus.

If the gentleman would turn to that chart, I think that is a period of real pride in American history. I think the gentleman just passed the chart right there, where we got out of a sea of red ink and actually built up toward a surplus and achieved a surplus in 8 short years, the first time that had been done in some 40 years in American history. So that was a truly significant accomplishment but, unfortunately, it has been largely voided by recent events.

I know that the gentleman is a positive and constructive force in this debate, and we try to seek out positive ways that our country can grow and advance. But it is important for us to first realize the predicament we are in.

Is my understanding correct that the job performance that we are witnessing right now is the worst in half a century?

Mr. SPRATT. Mr. Speaker, there have actually been job losses in the private sector, gains in the public sector, but the net job loss is somewhere around 2.2, 2.3 million people. The private sector job loss number is 3.1 million jobs since the peak of this recession, which was March 2001, shortly after the President took office.

Mr. COOPER. So since March 2001, our economy has lost 3.1 million jobs.

Mr. SPRATT. Private sector jobs. Private sector jobs.

Mr. COOPER. And that is the worst job creation performance of any President since 50 years ago and Harry Truman?

Mr. SPRATT. The Clinton administration, which inherited an economy just coming out of a recession and had to deal with the credit crunch and other problems that were dragging the economy then, nevertheless generated more than 10 million jobs during its first 4 years and more than 10 million jobs during its second 4 years. The first Bush administration was marred by a recession for the second half of it and had a poor performance. The Reagan administration had an adequate performance, but it did not come close to the performance of the Clinton administration.

And what happened in the Clinton administration? This chart shows it. The gentleman is absolutely right. When he came to office, the deficit was at a record high: $290 billion and headed up. The President left his economic report on the desk for Mr. Clinton to pick up on January 20 when he came to office. On page 69 of that report, they showed that they expected the deficit to hover in the range of $300 billion or $330 billion for the next 5 years.

The gentleman from Tennessee was here, I believe, and the gentleman recalls well what happened. The President sent down his budget on February 17. We passed it with one vote in the House and the Vice President's vote in the Senate, and for every year thereafter, the bottom line of the budget got better. It went from 290 to 255 in 1994, to 203 in 1995, on down to 164, and finally to the point where, in 1998, as I said, we had a surplus of $236 billion, more than any surplus in the postwar period. Without counting Social Security, it was the first time we were in surplus in 40 years. That happened at the same time, at the same time, as opposed to hindering growth, we saw the economy boom as we had never seen it since the 1960s.

Mr. COOPER. Mr. Speaker, it is hard to imagine a starker policy contrast than the one that you are exhibiting right there to show that we were drowning in red ink until 1991, and then we climb up to the surface and can breathe again, and now we are drowning one more time in another sea of red ink.

Mr. SPRATT. That is our concern. That is what we are talking about tonight, the future as it looms ahead of us. And each time we pass one of these mammoth tax bills, we take another step down this road and it becomes all the more irreversible for us, and that is our concern.

Mr. COOPER. The gentleman mentioned a Democratic stimulus package, and if he could elaborate on that, because it is my understanding that the Bush tax cut plan actually has very little stimulus in the short term for our economy, whereas the plan that the gentleman put forward actually had much more of a stimulant effect to help our economy today get out of the ditch. Could the gentleman elaborate?

Mr. SPRATT. Mr. Speaker, we said we wanted to go to everybody who filed a return in the year 2002 and who earned up to $6,000 in income and give them 10 percent of what they had earned, up to a ceiling of $600, and send them a check for it right away. That way we would have reached 17 million American families who did not get a rebate in the year 2002. We would have put money in the pockets of people who were most likely to spend it, $60 billion to $70 billion for that purpose alone.

We also said we want to go to the States and help the States because what they are doing is contractionary, and if we do not counteract that to some extent then they will undercut what we are doing and there will not be any effect on our economy. Medicaid, a shared State-Federal program, we said we wanted to give the States $15 billion to $20 billion to help them meet the extraordinary cost of the Medicaid program. We also said as to businesses, we wanted to give them an incentive to invest; for small businesses, we said $75,000. You buy that new equipment or new computer or new desk, you can write it off the year you buy it, the year you purchase it.

□ 2130

And as to large businesses, we said, we will give them a bonus if you go invest it in 2003.

Now, the Republicans have been into bonus depreciation before, but they wanted to stretch it over a 3-year period of time. We said to give the economy a real jolt, let us say to American industry, do it this year when we desperately need it and we will give you a reward, 50 percent write-off in the year of purchase. That was our package. The net cost of it was about $100 billion and $100 to $136 billion. Over time, some of that washed out.

The key thing was after 2003, 2004, there were no net effects on the economy. As the economy recovered, ours faded out and faded away and did not constitute a long-term drain on revenues.

Mr. COOPER. Let me make sure I heard this right. In the short run, the Democratic bill would have been twice as stimulative as the Republican bill, $130 billion versus $60 billion, and in the long run we would not have had any of the deficit hangover that the Republican bill has?

Mr. SPRATT. The gentleman is absolutely correct. The Council on Economic Advisors put on their Web page their estimate of what the President's proposal would do and the methodology they were using. They had a model developed by macroeconomic advisers who were retained by them to give them macroeconomic econometric advice. They gave the methodology of how they estimated their jobs.

We took the same methodology and applied it to our proposal and we got, for a fraction of the impact on revenues, twice the impact on jobs. Our program would have created 1½ million jobs. Theirs would create around 600,000 or 700,000.

Mr. COOPER. Mr. Speaker, the Democratic proposal would have stimulated consumer demand with the rebate program and business investment with the depreciation incentives.

Mr. SPRATT. Which is critically important, because this is a demand-deficient economy which we are living in today. Two-thirds of the demand that typically drives the economy at full employment is a consumer demand, and that is why we are trying to boost consumer demand.

Let me now yield to my friend, the gentleman from Virginia (Mr. SCOTT), also a member of the Committee on the Budget, who has a whole battery of charts he would like to talk about.

Mr. SCOTT of Virginia. Mr. Speaker, I thank the gentleman for yielding to me.

As we have said, this chart tells the story. When people ask, what is the Democratic plan to get us out of the mess, the green is the Democratic plan. We ought to remember history on how that green was created, because as the gentleman has indicated, not a single Republican, 218 to 216 in the House, not a single Republican in the House, 50–50 in the Senate, not a single Republican in the Senate voted for the plan that started digging us out of this great deficit.

When the Republicans used those votes that created the green ink, they used those against us in the campaign and took over both the House and Senate. Now they want to take credit for some of the green. But remember, after the 1994 election, 1995, they passed these trillion-dollar tax cuts and President Clinton vetoed those tax cuts. In fact, they threatened to shut down the government, and he vetoed them again. In fact they shut down the government, and he vetoed them again.

We had gotten the budget deficit down from 290 down to less than 10 before they finally agreed to a budget that the President could sign. That is right up in here somewhere. All of this was without any Republican votes, so they finally jumped on the bandwagon right at the last minute.

When President Bush came in, the Republican Congress passed the trillion-dollar tax cut and President Bush signed those tax cuts. Here is what we have as a direct result.

Now, who got the tax cuts? This is by 20th percentile. The lowest 20 percentile got that little bit, here is the middle 20 percent, and here is the upper 20 percent. Right at about 50 percent is what the upper 1 percent of the income got out of that tax cut. So we ruin the budget by giving tax cuts to the rich, and we are told that would create jobs.

Here is the job chart that has been referenced. The first chart is what was created during the Truman administration. Each administration, all the way through. Then they had 2½ million jobs lost.

Mr. SPRATT. Mr. Speaker, will the gentleman suspend just a minute? That is the chart I was looking for just a minute ago. The gentleman had it. I am glad to see it.

The two tall bars right there beside the bar below the X axis are Clinton administration job gains. Is that correct?

Mr. SCOTT of Virginia. This is the first Clinton administration and this is the second Clinton administration.

Mr. SPRATT. What are the numbers there?

Mr. SCOTT of Virginia. Over 10 million jobs created each 4-year term.

Mr. SPRATT. What is the number below the line so far for the Bush——

Mr. SCOTT of Virginia. Minus 2½ million so far and dropping. We ought not refer to September 11, because this chart going back to the Truman administration includes the Korean War, the Vietnam War, the beginning and end of both of those wars, the Cold War, hostages in Iran, the first Persian Gulf war. All through that period of time, coming and going, through everything that has happened in the economy, jobs were created. Not after we passed this trillion-dollar tax cut.

I just want to point out, again, who benefited, because obviously people did not get jobs as a result. This is by income. We will see $10,000, $10,000 to $20,000, $20,000 to $30,000, and $30,000 to $40,000. We begin to see a little benefit here at $75,000 to $100,000, but those who are making over $1 million are off the chart.

Now, we should not be surprised that we did not create jobs. This is a study by the Joint Committee on Taxation, with a Republican majority, on how many jobs would be created if we passed this plan. We will see that there is a short-term spike in jobs, but right after that, at best we will end up where we started. Most of the models show we will end up with fewer jobs had we done nothing at all.

Mr. DAVIS of Florida. Mr. Speaker, will the gentleman yield?

Mr. SPRATT. I yield to the gentleman from Florida.

Mr. DAVIS of Florida. Mr. Speaker, the proponents of the tax cut have justified the remarkable difference in benefits by the job growth that is not predicted by the charts the gentleman just showed. So I think it is important to go back and talk about the disparity.

As I understand it, if the gentleman or I were to make $1 million, and certainly we, like every American, dream of achieving that level of wealth some day, we will receive an average tax cut of about $95,000 under this tax cut. So if the gentleman makes $1 million, he will get about a $95,000 tax cut.

Most regular Americans are, on the other hand, going to get an average of I think about $100 or less on the tax cut. I would ask the gentleman, is that correct?

Mr. SCOTT of Virginia. Mr. Speaker, this chart shows, and we can hardly see, compared to what the millionaires get, we can hardly see the benefit we get if we are in the $50,000 to $75,000 or less range. This chart shows what we would get.

Mr. DAVIS of Florida. The tax cut that the gentleman from South Carolina (Mr. SPRATT) referred to, for which there was a bipartisan consensus, was a tax cut that evenly spread the benefits out and provided a true stimulus. The tax cut that was passed on an extremely partisan basis, only 5 percent of it will take effect immediately as a stimulus, and the rest results in this exploding difference the gentleman is describing.

Mr. SCOTT of Virginia. The reason we are not creating many jobs is that by the time we have run up all the deficit and we are worse off than we started, it is because the tax cut was not targeted to those who will actually spend it. It was not targeted and the spending was not done in such a way that it would actually stimulate the economy. It would just help those in the upper-income brackets.

There were a number of other alternative ways of stimulating the economy. The gentleman from South Carolina (Mr. SPRATT) indicated if we continue the unemployment benefits, those people what are used to a paycheck, no longer having a paycheck, will spend that money before the check clears. As soon as they get the check, they will deposit it and the money will be spent. They have overdue bills and they have things they have to buy. It is the only income they have. They will spend that money.

If we give a few thousand to a millionaire, if they wanted a television they would have bought a television. If they wanted a car, they would have bought a car already. They are much less likely to spend the money and help stimulate the economy.

One study was done on the dividend tax decrease; that for every dollar we lose in tax revenue, the economy is stimulated by 7 cents. Every dollar we put into unemployment compensation, the economy is stimulated $1.73. So if our goal is to stimulate the economy so everyone can benefit, there are other things we can do other than reduce the taxes on dividends, capital gains, and for those in the upper income.

Mr. DAVIS of Florida. A lot of citizens and taxpayers from my home in Florida are confused about this tax cut. They have said to me, at a minimum, tell us the truth. It has been described as a $350 billion tax cut. On that basis, the proponents of the tax cut have said that we are taking a responsible approach to the deficit.

That in fact is not the case. As I understand it, this is really a tax cut in excess of $1 trillion. Could the gentleman explain what the truth is? The public is at least entitled to know the truth about the size of the tax cut.

Mr. SCOTT of Virginia. First of all, I think we ought to suggest that if we are this far in the red already, we ought to be talking about something other than additional tax cuts. We use the adage around here that if we find ourselves in a hole, the first thing we ought to do is stop digging.

This chart is actually somewhat out of date, because on the more recent numbers there is more red ink down here than this chart shows. The present situation is actually worse.

But as the gentleman has suggested, they concocted a plan that they call $350 billion because they would pass a tax cut, but then in a couple of years they would what is called sunset it; that is, stop the tax cut and revert back to present law. Everyone expects that when you get to that point in time, that instead of a sunset we will have a sunrise, and continue the tax cut into the future.

If we assume, as everyone does, that the tax cuts will be eventually made permanent, it is not just $350 billion but approximately $1 trillion, three times bigger, particularly if we add on the interest and other fixes that have to be made when we have those kinds of tax cuts.

Mr. DAVIS of Florida. In my home State, Florida, the historically low interest rates have contributed to prosperity for so many more than any tax cut I have ever heard promised in Washington.

What has Chairman Alan Greenspan said in front of the Committee on the Budget about the impact on low interest rates and student loans and credit card debts and mortgages if we continue with this level of deficits?

Mr. SCOTT of Virginia. He has said on numerous times that if we run up significant deficits and increased debt that it will eventually have an effect on interest rates. It will increase interest rates. For a person with a mortgage, car loans, and credit cards, every time we increase interest rates we have taken money out of their pockets.

As we look at this, we just have to wonder how bad does it have to get before we notice that something is not right. As I indicated, we are not creating jobs. The Joint Committee on Taxation shows that in several years after we have passed this thing, as a direct result, we will have fewer jobs than if we had done nothing.

Now, running up debt has consequences. Even if we do not pay the debt off, we have to pay interest on the national debt. Under the Clinton administration we left a surplus that was in the process, by all projections, of paying off the entire national debt, debt held by the public, by 2008; and by 2013 or so, pay off the entire national debt. So as this green bar shows, the interest on the national debt would be going towards zero.

Unfortunately, because of all the new debt we are running up, the interest on the national debt that we can actually pay in red is going up to almost $500 billion. To put this number, since it is a big number, in perspective, I have put in blue the defense budget. We are going to be paying, instead of zero interest on the national debt, almost as much in interest on the national debt as we are paying on defense.

Now, we can make it personal and divide the interest on the national debt by the population, multiply it by 4, so we have the family of four's portion of the national debt, interest on the national debt, just interest. Right now it is about $4,500. We are paying a family of four's proportionate share of interest on the national debt, and it is growing by 2013 to $8,500.

Now, the difficulty, the challenging thing about this is when we consider that chart and the Social Security cash flow, we are running about a $100 billion surplus in Social Security; but soon, by 2017, we will be running a significant deficit.

□ 2145

As the interest on the national debt is increasing, how are we going to pay the Social Security for the baby boomers on out?

Now, the egregious thing about the tax cut is if you look at this challenging chart and wonder how we can possibly pay Social Security in the future, we did some calculations and found that if, instead of the tax cut given to the top 1 percent, if that amount of money had been allocated to the Social Security trust funds, that would have been enough money to have paid Social Security benefits for 75 years without any reduction in benefits. We had a choice: make Social Security solvent for 75 years or a tax cut for the upper 1 percent. And this House and Senate passed a tax cut for the upper 1 percent and left Social Security who knows where.

Mr. KIND. It is one of my chief concerns as a member of the Committee on the Budget, as a Member of this House, the fact that the fiscal decisions being made today, if carried out the way we have intended is going to set up future generations for failure. As a member of the Committee on the Budget, I do believe deficits matter. As a father of two little boys back home, I do believe deficits matter. At a time when we should be investing in our children's and grandchildren's future, we are borrowing against their future.

This is happening at exactly the worst moment in our Nation's history, when we have 80 million of the so-called baby boomers all marching in lockstep to their retirement, which will start in a few short years; and we are digging this fiscal hole deeper and deeper and deeper at a time when the next generation will be taking over the reins of leadership. We will be setting up future Congresses and the younger generations for failure unless we can reverse course.

I appreciate the voice of my colleague in this deficit wilderness of warning the Nation of the consequences of these fiscal policies. The ranking member on the Committee on the Budget, the gentleman from South Carolina (Mr. SPRATT), has been telling us for a very long time that we need to keep an eye on the bottom line with the spending and the revenue streams and try to maintain some balance.

The question I have for both of the gentlemen here is that it was such a remarkable turnaround during the decade of the 1990s, unfortunately, we do not have another decade like that to prepare for the onset of the baby boom generation's retirement; but were there some fiscal tools available during the 1990s that no longer exist today, that we should consider putting back in place in order to develop some fiscal discipline and some fiscal responsibility in this House again before it is too late?

Mr. SPRATT. In 1990, when the first President Bush was in office, we prevailed upon him to sit down and negotiate with us a 5-year budget, a so-called budget summit deficit reduction plan. The negotiations went on for 4, 5, 6 months at Andrews Air Force Base; and they culminated in a budget agreement which, frankly, only about 60 Republicans voted for the first time it hit the House floor, failed then because there was no support there for it. It was modified and passed by the House mainly with Democratic votes. It was eclipsed by the recession.

It was an important piece of work because it established a ceiling for discretionary spending, that is the money we appropriate every year in 13 different appropriation bills. It also took on the Medicare entitlements, Medicare and Medicaid; and it addressed revenues. It increased revenues; and, of course, that caused Mr. Bush a lot of trouble in his own party.

In 1993 when Mr. Clinton came to the White House, because the results of that had been aggravated by recession, it was not evident; but he proposed a second 5-year plan that would have taken us until about 197. That plan was designed to cut the deficit by a bit more than half. Once again, it extended a ceiling on discretionary spending. It actually cut the rate of growth in some of the health care entitlements, and it raised revenues. The revenue increases went largely to upper tax bracket taxpayers. And as it so happened, the boom of the 1990s resounded more to their benefit than any other income class; and so they paid more taxes. Capital gains taxes went up from $40 billion a year in 1995 to $120 billion, by a factor of three, over a period of 5 years.

We finally got that budget passed here by one vote, the Vice President's vote in the Senate. Everyone said it would cut the economy off at its knees. We had bought ourselves a one-way ticket to recession, said Phil Graham over in the Senate. And what happened? The economy got up and ran. It took off like never before. For 10 straight years we had a phenomenal economy, partly because we were paying off our debt for the first time in years, adding to the pool of capital in this country, driving down interest rates and the economy prospered like never before to the point where we got to a $236 billion surplus. It is a matter of record. It is hard to believe now because it was just 3 short years ago, but that is where we were when President Bush came to office.

Now, we do not have those rules that limited the growth of entitlements before the so-called PAYGO rule. We do not have the PAYGO rule that says for every tax cut it has to be deficit neutral. It cannot impact the bottom line. You have to have offsetting spending cuts or offsetting revenue increases. We do not have the ceiling on discretionary spending anymore. None of those rules that we put in place in 1993 and 1997 with the balanced budget agreement any longer applied. We have a budget in free fall, an ad hoc budget.

Mr. KIND. I think the gentleman makes a very important point. The PAYGO did require fiscal discipline because for any proposed increase in discretionary funding, there had to be an offset in the entitlement in order to maintain balance. And it put the Nation in a position where there was a true lockbox on Social Security and Medicare trust funds, where the money was not being robbed to pay for other aspects of Federal spending which has gone out the window again in 2 short years. They have taken all the money out of the Social Security and Medicare trust fund to pay for these tax cuts or to pay for other spending programs when we should be downloading our debt in anticipation of this massive retirement boom.

One final point on the tax cut that was recently enacted into law, there was a lot of fanfare and Rose Garden ceremony, naturally, for the tax cut that the President signed. But what did not receive as much attention was the day before, unceremoniously and very quietly, within 20 seconds, the President also signed an increase in the debt ceiling by a trillion dollars.

Mr. SPRATT. $984 billion.

Mr. KIND. That is over next year alone.

Just to put this in context, the entire national debt in 1980 for the preceding 200 years was roughly $900 billion, and they are proposing to have a $1 trillion increase in the debt ceiling in 1 year alone. This was not economic stimulus that he signed into law. It was major structural tax reform, and it should be referred to as such. And no less an expert on capital accumulation in this Nation and the world, Warren Buffett has also weighed into decrying this tax cut. He says there is something fundamentally unfair with a tax cut proposal which will reduce his marginal tax rate, Warren Buffett, who is worth about $55 billion, will reduce his tax rate to roughly 5 percent when the receptionist in his own office has a marginal tax rate of 30 percent. Even Warren Buffet says that is not fair; that is not the values that reflects our great Nation. But that is what this tax cut was about. A major restructuring of the Tax Code, who is going to pay and who is going to be left on the hook. And, unfortunately, again, no less an expert on capital accumulation than Warren Buffett, he says it does not fly and it is very troubling.

Mr. SCOTT of Virginia. I was just going to ask the ranking member, since we have run out of the surplus and Social Security, Medicare and other surplus, as you pass a tax cut, how is it funded if it is not under the PAYGO rules?

Mr. SPRATT. How is the tax cut funded? It was not funded at all. It simply goes straight to the bottom line.

Something very significant happened this year. This year when the Office of Management and Budget sent us the President's budget, they sent with it an analysis and a forecast which said, the surplus we have projected in the year 2001, for 2002 through 2011, that 10-year surplus we projected back then, was $5.637 trillion over 10 years. We made a mistake, said OMB.

Looking at the economy as we see it and understanding it today, according to OMB, the true surplus today for that same time period, 2002 through 2011, is really about $2.492 trillion. We were off by that much, $3.2 trillion.

They went on to say that of that $2.4 trillion, $2.5 trillion, more than that amount, about 2.6, has already been committed to tax cuts, spending increases, national defense, homeland security, and other things. Already committed. As a consequence, you start the process this year with no surplus. So if you have additional tax cuts or additional spending, it will go straight to the bottom line. There is no mitigation; no offset. It adds dollar for dollar to the deficit. And what did Mr. Bush propose? He proposed $2 trillion, 1 trillion 990-something billion dollars in additional budget actions that would add that much to the deficit over the next 10 years.

It is a matter of record; OMB acknowledges it. So there was no PAYGO rule, which in the past would have required that all of these things be offset by some spending cut or revenue increase. Instead, they proposed $2 trillion in additional budget actions, all of it going to the bottom line and swelling eventually to a deficit in 10 years of about $4 trillion cumulative deficit over that period of time.

Mr. SCOTT of Virginia. Now, we had the previous speaker before our Special Order suggest that it was wrong to give income tax relief for those who do not pay income tax. There are some that have lower income that do not pay income taxes, but I was wondering if they paid a payroll tax.

Mr. SPRATT. Of course they do pay a payroll tax on their gross earnings, not on net earnings, on gross earnings up to a ceiling of about $86,000. And for the lower- and moderate-income people, that payroll tax which essentially is about 16 percent when you include the employer's share is a big percentage of their income.

Mr. SCOTT of Virginia. Now, do they pay a sales tax?

Mr. SPRATT. Of course they pay a sales tax. They pay property taxes on the homes they own, on the cars they drive, all of these taxes they pay; and we are trying to give them some tax relief, because let us face it, they need it more than anybody else.

Mr. SCOTT of Virginia. The suggestion was that we would just pick one tax, the income tax, and only those that paid, there are other taxes that a lot of people do not pay; a lot of people do not pay estate taxes. What portion of the people have estates when they die over $1 million?

Mr. SPRATT. No more than 1 to 2 percent of all estates.

Mr. SCOTT of Virginia. So if we focus all of our tax relief on that, it would not surprise anybody that it would not be broadly based. It would just be aimed at the 1 or 2 percent. So it does not make much sense to complain that if we are trying to give tax relief to everyone, particularly when we are also trying to stimulate the economy, that we would give tax relief, however we can, to everyone, particularly those that might actually spend the money and help stimulate the economy.

Mr. SPRATT. Exactly. That is the complete and full point, namely, that we have got an economy with deficient demand. It is lagging. It is mired in a jobless recovery. And to get it up on its feet and running, you have got to put money in people's pockets to spend so that they can go buy things, work down inventories, and get the economy running at full speed again.

Mr. KIND. That is really the point of tonight's Special Order is what is going to get the economy back on track. That is what all of America embraces. We need to grow the economy, create jobs, stimulate investments. There is nothing that solves problems better for our Nation than a growing economy. But the fact of the matter is over the last 2 years, and the gentleman from South Carolina (Mr. SPRATT) recited these stats, is we have lost 3 million jobs in this economy. Two million of our citizens have gone from middle class back into poverty. During the 1990s when we had declining deficits and surpluses, 8 million of our citizens went the other way, from poverty into middle class. We have had over a trillion dollars of corporate assets that have been foreclosed upon over these last 2 years, one of slowest worker productivity rates in the last 30 years.

The economic policies are not working. And that is what we need to do is get together in a bipartisan fashion and figure out a plan that is going to work for working families and for all Americans throughout the country so we can stimulate economic activity and create jobs again. That is what we need to do rather than pursuing an idealogical agenda that has a poor track record during the 1980s, the first part of the 1990s, and now it is deja voodoo economics all over again here in the new century. And that is really the task that lies before us today. But unfortunately, there is an unwillingness with the administration and leadership of Congress to admit that things are not working.

Most reasonable and logical people, when they find themselves in a hole, stop digging. Ideological extremists ask for a bigger shovel. And later this year, as true as we are standing in this well today, there is going to be another trillion dollar tax cut proposal coming before this body with everything including the kitchen sink involved in it. They are just clinging to this mantra that tax cuts solve all the problems that this country is facing, when, in fact, the record belies that and it is very troubling.

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Mr. SCOTT of Virginia. We just want to remind people who asked what our plan is, our plan is the green. If we had our ways, we would be running up back into surplus with the stock market high, unemployment low. This is what we would do if we had the choice.

Unfortunately, this is where we are because of all the deficit spending and the tax cuts which basically went to the wealthiest Americans.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. SPRATT. I yield to the gentleman from Tennessee.

Mr. COOPER. Mr. Speaker, the gentleman makes a great point, talking about the 12 million kids who are left out of the tax cut. Right now, as I understand it, this House is considering whether to repair that mistake. The other body in the Senate has voted, I think overwhelmingly, 94–2, to help the 12 million poor children. The question before this House is whether we will take action to correct the mistake, to help the 12 million kids who should have been covered by the tax bill.

Mr. SCOTT of Virginia. We have legislation pending in this body that would do that. Interestingly enough, that tax cut would be paid for under the standard that we had adopted helping to create the green, that if you pass a tax cut it ought to be paid for with other tax increases or spending cuts so that the tax cut does not add to the deficit. And we close some loopholes and do other things that pay for the tax cut that would give relief to those in the $10- to $25,000 range. And people have said that is close to the minimum wage. A full-time worker at minimum wage makes about $10,000.

So when you get up to 25, you are 2½ times the minimum wage. So it is just not the bottom of the scale. You have gone quite a ways up of people that were left out that would be compensated and would be able to get the benefit of the tax cut without adding to the national debt, because in our plan that would be paid for, and that is the fiscally responsible way of doing it.

Mr. SPRATT. Mr. Speaker, we have talked about the economy. We have talked about fiscal policy and budget propriety.

We have not talked about the moral question of intergenerational burdens. That is a fancy way of saying what we are doing here, if we continue down the path we are on right now, stacking debt on top of debt, building $4 trillion in deficits and debt over the next 10 years, is take the tab of these tax cuts, the defense build-up and everything else that we are doing now but not fully paying for, and leaving it to our children. We are leaving them a legacy of debt.

On top of the responsibility of maintaining and sustaining the Social Security program, which is underfunded and will be significantly underfunded with 77 million baby boomers, doubling the number of beneficiaries in a matter of a few years; Medicare, same situation, the same increase in benefits that is looming in the future; they will have to sustain both of those promises, both of those programs, the benefits promise. And on top of that, if that were not enough, we are telling our children, the next generation, that they are going to have to bear as much as $12 trillion in gross statutory debt subject to limit.

It is just totally immoral, not just bad fiscal policy, not just bad economic policy. It is immoral and the wrong thing for us to do to our children and their children.

Mr. SCOTT of Virginia. When we spend without paying for it, we run up debt and you have to pay interest on the national debt. This is a family of four's portion of interest on the national debt. It is going up year after year after year.

When President Clinton left office, the projection was at that time if you did not take any action the interest on the national debt, just maintain services, kept the Tax Code as it is, interest on the national debt by 2013 would be zero. Instead, a family of four's portion of the national debt would be $8,500 and rising. At the same time, the Social Security Trust Fund would stop running the surplus that we have been spending and turned into a significant deficit.

Mr. SPRATT. The gentleman made a very significant point a minute ago, namely, in 2001, we stood at the fork of the road. Prior to Mr. Bush coming to office, we were on the cusp of adopting a very conservative economic policy which would have called upon us to forswear ever again spending anything in the Medicare or Social Security Trust Funds except for those benefits, and using the funds in the meantime solely to buy up outstanding debt, not newly issued debt, but outstanding debt so that over a period of about 10 years we could have just about paid off the debt held by the public, and therefore, Treasury would have been interest free, would have had no interest obligation to pay to the public at a time when the baby boomers began to come to the Treasury or at least assert their demands for benefits which they had been promised and draw down their benefits. The Treasury would be in a more solvent situation than it has been in since the Second World War.

Mr. SCOTT of Virginia. During the Presidential campaign, everyone had agreed that you would have a lockbox; you would not touch the Social Security money that was supposed to be for Social Security, and Medicare money collected for Medicare should be reserved for Medicare. Instead, we passed a $1 trillion tax cut and dipped into that spending, into great deficit.

Mr. SPRATT. More than dipped into it. For every year that we forecast, all 10 years to get to the right-hand edge of the paper, cannot see anymore, we will fully expend the Social Security surplus, fully draw it down and spend it for non-Social Security purposes.

Mr. SCOTT of Virginia. You wonder how you could pay the Social Security challenge that is shown on this chart, because instead of a nice surplus that we have been spending, we are going to have to actually come up with even more money. At the same time, the interest on the national debt is increasing. We are going to have to come up with more cash to pay this. And the tax cut, the amount of money that went to the top 1 percent in 2001, not 2003, 2001, that tax cut to the upper 1 percent only would have been sufficient to cover all of this red ink, for 75 years, no reduction in benefits.

Mr. SPRATT. Mr. Speaker, if I can reclaim my time, we are about to be gaveled down. Basically what we have said tonight is we are not opposed to a tax cut. We have proposed them before. We will propose them again. We recognize they can stimulate the economy if they are directed in the right manner. But we are deeply concerned about deficits and debt, and of course, we are primed for stacking deficits upon deficits and building the debt ever bigger every year. We simply do not believe that is the right prescription for our economic future.

IMMIGRATION REFORM

The SPEAKER pro tempore (Mr. FEENEY). Under the Speaker's announced policy of January 7, 2003, the gentleman from Colorado (Mr. TANCREDO) is recognized for half the time until midnight, approximately 56½ minutes.

Mr. TANCREDO. Mr. Speaker, it has been very elucidating listening to the folks who have such concerns about the possibility of a tax cut going to people that think they deserve it, and although it is not the topic of my discussion tonight or my presentation, I still feel it is worthy of some sort of rhetoric, and that is what we are really seeing, interestingly, is a discussion of what should be the tax cut policy of this country as proposed by the Democrats.

That is great. It is great to hear. It is a wonderful thing actually to hear Democrats say things like we need a tax cut. I am sure they almost have to gag when they say it, but the reality is we need a tax cut. It is just not the one that you guys proposed. You guys proposed a tax cut for the rich and all this and other stuff, but what is even more fascinating about this, Mr. Speaker, is that we all know, there is not a single person in this body who thinks, and perhaps I hope very few people in the listening audience in America who think, that there would be any tax cut proposal from the other side tonight or any other time had not we proposed one first.

Does anybody really believe that if the other party were in charge of the Congress of the United States or the White House that there would be any sort of tax cut proposal we would be debating? Does anybody really think for a second that there would have been something that the Democrats would have said we need a tax cut, because those words do not emanate freely and easily from our friends on the other side. They are prompted, they are urged and they come with great difficulty; and so they say, well, okay, we have a tax cut, we want a tax cut, but in reality, it is not the one that you guys have proposed.

We will take a tax cut anytime, anyplace, anywhere. A tax cut is essentially and generally a good thing. Having people pay less of their hard-earned money for the task of expanded government is a good thing, I think, and so the fact that we would have even gotten the Democrats into the position of debating what their tax cut policy would be is a great, great boon for America. It is a great thing for all of us to have them try to stand up and defend a tax cut policy that they would never have put in place in a million years. No one thinks it, no one believes it, no one has the slightest idea that that would have come out of the Democratic Party had they been in charge of the Congress of the United States.

That is part of who we are and what we are all about is reducing the cost of government to the people of this country; and so they think, well, we have to figure out a way to attack that. We have to attack the President. We have to attack the Party, the Republican Party, for doing this. How do we do it? I know. Let us drag up all of those things that we have used, time after time after time, somewhat successfully. Let us always say that it is the rich guys that the Republicans are giving a break to and it is the poor that are not getting their due rewards, and maybe they will buy it this time, or I should say maybe they will still buy it. Maybe we can still get the people who