

STRONG FOUNDATION FOR  
ECONOMIC GROWTH

Mr. KYL. Mr. President, yesterday, the Senator from North Dakota gave a speech on the Senate floor on what he calls the wall of debt. My colleague said, "We have cut revenue, cut revenue, cut revenue." Clearly, he misunderstands both the rationale and the economic effect of the tax cuts. I would like to take a few moments today to clear up several misconceptions.

My colleagues know full well that the Senator's wall of debt is built of increased spending and runaway entitlement costs. Twenty years ago, entitlements accounted for 45 percent of the budget; soon, they will exceed 60 percent. Medicare alone is growing by almost 10 percent a year. In 30 years, the three big entitlement programs—Medicare, Medicaid, and Social Security—if left unchanged, will consume the entire Federal budget, leaving no money for border security or education or any other necessary program.

Our problem is not that Americans are undertaxed; our problem is that entitlement spending has run amok.

In characterizing the tax relief provided in recent years, we do better to call it a "Foundation for Economic Growth."

When Congress cuts tax rates, it leaves money in the private economy, where it can be used more efficiently. Being taxed at lower rates, Americans have more incentive to work, save, and invest, which fosters economic growth. Tax rate cuts implemented by Republicans have kept America competitive by leaving \$1.1 trillion in the American economy, where it has given us more than 4 years of uninterrupted economic growth.

To illustrate the effects that low tax rates can have on the economy, I recommend to my colleagues a study conducted by Dr. Edward Prescott, a Nobel laureate in economics and a professor at Arizona State University. Dr. Prescott's study reveals an interesting fact. Based on labor market statistics from the Organization for Economic Cooperation and Development, Americans aged 15 to 64 worked 50 percent more than their European counterparts in France, Germany, and Italy. Fifty percent more. But this difference in output has not always been so. Two decades ago, France's labor supply, as measured by hours worked per employee, exceeded the American labor supply, as did several other European nations.

Why is this? According to Dr. Prescott, this discrepancy in the labor market is attributable to taxes. When you lower the rates on individuals, people work harder and greater productivity results. As the United States lowered its marginal tax rates, Americans had a greater incentive to work hard, work longer, and be more productive, relative to the European nations, which kept higher tax rates.

The results of Dr. Prescott's study are telling. Ultimately, a country must

establish an efficient tax system with low tax rates to achieve maximum economic productivity. This is exactly what this Republican Congress has tried to accomplish: a tax system that keeps as much money as possible in the private economy, with individuals and businesses. In contrast, Democrats seem to want to keep as much taxpayer money in Washington as possible.

If my colleague from North Dakota doesn't believe that our tax and economic policies are working, let me quote some figures from the Office of Management and Budget's Mid-Session Review, released on July 11. These figures demonstrate that our tax and economic policies are fostering economic growth in the private economy and that all of this new economic growth is helping to bring down the budget deficit.

From 2005 to 2006, Federal receipts are projected to grow by 11 percent, \$246 billion, more than twice as fast as the economy itself. Since the tax relief was fully implemented in 2003, tax receipts have increased by 34.6 percent. The economy has grown for 18 consecutive quarters. The economy has created over 5.4 million jobs since August 2003. This is more than Japan and the 25 nations of Europe combined. That is combined. The unemployment rate of 4.6 percent is lower than the average of the last four decades. There have been 34 months of consecutive job growth. Pro-growth policies and tax receipts will allow the deficit to be cut in half by 2008, a year ahead of the President's schedule. The projected budget deficit for 2006 has fallen from 3.2 percent of gross domestic product to 2.3 percent of GDP—and measuring our deficit in relation to the size of the American economy gives the most accurate assessment of how big or small the deficit is relative to other times in our history. The projected deficit of 2.3 percent of GDP registers at the 40-year average and is lower than the deficits in 17 of the last 25 years.

Although our economy has made many steps in the right direction, we ought not be content to stop here. My colleagues and I will continue to work to reduce Government spending and to make the tax cuts permanent.

The issue that prompted this debate over the deficit, to be clear about it, is not how to reform entitlements. It is legislation the Senate will consider later this week to reform the estate tax. On this, as well, my colleagues labor under some misconceptions.

I want to take a moment to explain to them how many people will actually benefit from this legislation and to debunk some of the myths we are hearing about the cost.

If Congress fails to reform the estate tax, the exemption amount will revert to \$1 million and the rate will be 55 percent in 2011. According to an analysis done by the Joint Committee on Taxation at the request of Senator BAUCUS, in that year, 127,000 estates would be subject to the death tax—

meaning that 127,000 estates would have a value of \$1 million or more in 2011.

But if Congress approves estate tax reform, at least 115,000 estates each and every year that would otherwise be subject to the tax—estates that are valued over \$1 million, but less than \$5 million—will be spared from this tax on productivity, once the reform proposal is fully effective in the year 2015. Under the proposal the Senate will consider later this week, we will be left with about 11,500 estates each and every year that will still be subject to the death tax.

The official Joint Committee on Taxation estimate for the cost of death tax reform is \$267.6 billion over 10 years. Some of my colleagues have used incorrect information generated by liberal interest groups to argue that this underestimates the cost of the proposal, since it does not begin until 2010 and is not fully phased in until 2015. Thus, they claim that the cost of the death tax reform would be \$808 billion over the 2012 to 2021 timeframe. They claim that it would cost \$1 trillion over the same period "when the associated increases in interest payments on the debt are included."

There are several reasons this logic is faulty. First, Joint Tax has estimated that the proposal will cost \$39.186 billion in 2012—the first year of the bogus 10-year \$808 billion estimate. So if you assume that it will cost that amount, plus an increase for economic growth, each year thereafter, it could not possibly add up to \$808 billion for that 10-year period.

Using actual Joint Tax estimates—the estimates we are required to use around here—you can see that once the proposal is phased in, the annual cost will increase by roughly \$5 billion as a result of economic growth. Thus, using actual JCT estimates through 2016 and then assuming that the cost will increase by \$5 billion each year, the total cost between 2012 and 2021 would be around \$627 billion, not \$808 billion.

Second, JCT does not produce estimates further ahead than 10 years because anything beyond that range is thought to be too speculative to be even close to accurate. We simply cannot predict how much revenue the proposed changes will bring into the Government's coffers that far down the road. The Congressional Budget Office and Joint Tax have had enough trouble accurately estimating revenue collections one year out, let alone 10. For example, reducing the long-term capital gains tax in 2003, as estimated by the budgeteers at the Congressional Budget Office and the Joint Committee on Taxation, would cost \$27 billion in 2004. It actually brought in \$26 billion that year. If official estimators have difficulty producing accurate revenue estimates in the short-term, we should heed their warnings about not betting the farm on estimates that go beyond 10 years.

Finally, as I said, Joint Tax is the official revenue-estimating body of Congress. Whether we like their estimates or not, at the end of the day we all know that is the estimate we all must rely on.

I hope these facts will bring a little perspective to the debate we are having over the deficit, the effect tax cuts have on the economy and, more to the point this week, the debate over what is really a moderate and responsible proposal to reform the death tax—a proposal that deserves broad, bipartisan support.

#### ADDITIONAL STATEMENTS

##### TRIBUTE TO ROBERTS DAIRY

• Mr. NELSON of Nebraska. Mr. President, today I wish to pay tribute to a business that has provided irreplaceable value to the city of Omaha, NE, for 100 years.

Roberts Dairy was founded in 1906 on a farm near the outskirts of Lincoln, NE. This is where J.R. Roberts, the company's founder, began his first retail route using a herd of 60 cows. During the first years of the company's existence, Roberts was the only dairy that sold pasteurized milk to the community.

In 1992, the company expanded to Omaha and has been expanding ever since. Roberts Dairy is a full-service dairy that processes and fills more than 900 million gallons yearly. It operates around the clock, 365 days a year, to provide the freshest dairy products to customers. Roberts serves a region that includes Nebraska, Iowa, Missouri, Kansas and parts of Colorado, Illinois, and South Dakota.

Roberts Dairy is one of the area's largest companies, employing more than 700 people and generating annual sales of more than \$250 million.

Roberts is a Quality Chekd® dairy, which means all of its products are produced and tested by an independent association to higher standards that exceed State and Federal requirements for purity, freshness, and flavor.

In 2004, all four of Roberts' production plants received Merit of Excellence Awards from Quality Chekd, signifying production that far surpasses the high standards necessary to be Quality Chekd dairy.

In 2004, the Iowa City plant received the Wayne Gingrich Award for Production from Quality Chekd Dairies Inc., an international organization. The plant won the award after rigorous competition among 40 dairies, each with several plants.

Roberts Dairy actively supports local and regional causes, events, and organizations that seek to help make our communities better places to live. The company also annually raises funds for the Juvenile Diabetes Research Foundation.

This year Roberts Dairy will be celebrating its 100th anniversary. As part

of its centennial celebration, Roberts Dairy plans to host its celebration in Omaha on Sunday, September 3, 2006 prior to the annual SeptemberFest.

In closing, I would like to once again thank Roberts Dairy for their contribution to the State of Nebraska and the Midwest as a whole. The services that Roberts provide to all of its customers will continue to have a lasting impact for years to come.●

##### TRIBUTE TO ALABAMA STATE AUDITOR BETH CHAPMAN

• Mr. SESSIONS. Mr. President, I recently had the opportunity to speak in favor of the constitutional amendment prohibiting the physical desecration of the flag. I was proud to be a cosponsor of that amendment, and even though it failed by a vote of 66 to 34, I do not believe it is an issue that will "go gentle into that good night," to use the words of poet Dylan Thomas. The flag is the unifying symbol of our country and all it embodies. Hundreds of thousands have died fighting to protect what it represents. It seems only logical that we, as a body, would continue to fight to protect it.

A few days after the Senate vote, I received a copy of a speech written by Alabama's state auditor, Beth Chapman. It was a speech she delivered to a meeting of the Alabama Chapter of the Daughters of the American Revolution—a group dedicated to promoting patriotism and preserving American history. I found it to be not only timely, but a beautifully written and passionate reminder of what the flag represents and why it should be protected. I ask that the full speech be printed in the RECORD.

The material follows.

##### FLAG DAY SPEECH

ALABAMA STATE AUDITOR BETH CHAPMAN'S ADDRESS TO THE STATE MEETING OF THE ALABAMA CHAPTER OF THE DAUGHTER'S OF THE AMERICAN REVOLUTION

The red, white and blue, the Stars and Stripes, Old Glory, our Standard, the Star Spangle Banner—the American flag—it has heard the battle cry for freedom and has been the banner for democracy—it is our sacred symbol of the heart and soul of our country—our freedom.

It represents the fifty states and the blood of the men and women who died carrying it—if not on their bodies, in their hearts and souls as they fought for freedom of a nation—our nation.

Though tattered and worn, it continued to wave as 6,000 patriots died in the Revolutionary War breaking off the chains of tyranny from Great Britain.

It survived the Civil War and draped the caskets of many of the 500,000 total (some brother against brother) who fought and died defending freedom, though they disagreed on what that freedom meant—the flag continued to wave in its defense.

It soared at Gettysburg, unfurled at the Battle of the Bulge, was blood stained at Kasson, stood watch in the final hours at Pearl Harbor as hulls of ships and shells of men floated on the burning waters. It was hoisted by brave American soldiers at Iwo Jima.

Throughout history it was tested and tried on the beaches of Normandy and was triumphant on the shores of Tripoli.

It stood for justice's sake though 116,000 Americans fell in WWI and 405,000 in World War II.

It survived the numbness of frost bite in the Chosin Reservoir of the Korean Conflict and heard the brassy bugle's cry of Taps being played for more than 54,000 who lost their lives.

It proudly but sadly waves today over a wall that bears only etched names in stone of more than 58,000 faces, hearts, souls and bodies of the fallen soldiers who died in the jungles of Vietnam.

It flew for righteousness' sake mounted in the dirt of Desert Storm as 293 Americans' bodies were killed but their love for country was not captured, conquered or defeated.

Most recently I saw 1,672 Americans in Operation Iraqi Freedom die and is has covered the bodies of 190 killed in Enduring Freedom—yet the flag still endures. It still waves—restoring the foundations on which America was built and reminding us of the freedom with which we've been blessed.

And today it continues to wave, somberly but surely over the 260,000 brave and courageous veterans whose silent, sleeping spirits remain in Arlington Cemetery. They defended our freedom and determined our destiny and the destiny of our nation. Now they rest in peace while we enjoy the symbolism of the flag with as much passion as they once felt when they were defending it.

Many have spit on the flag, buried it and burned it, not realizing the freedom it represents is what allows them that right, though no matter how obnoxious and disrespectful it may be, it supposedly was right.

But what a pity they know not how much innocent blood was shed so they could have that freedom to express the bitterness, hatred and disrespect they appear to have for their own freedom and anything it represents.

Over one million men and women of the United States Military have died defending what our flag symbolizes, but others have died simply by living the American Dream which it represents—2,595 civilians at the World Trade Center on 9-11, 92 on Flight 11 and 65 on Flight 175, 125 in the Pentagon, 64 on Flight 77, and 45 on Flight 93—total of 2,986 died on that same tragic day—doing nothing but living out in their daily lives what our flag stands for—freedom. They were the innocent victims of evil people and a jealousy and hatred that comes against such a beloved freedom as ours.

And on that day when our country was at its lowest level, our spirits had plummeted; we had been wounded worse than at any time in our great nation—in the very middle of that ordeal, three exhausted New York Fireman had the foresight, the vision and the inspiration which could only be fueled physically by adrenaline, but spiritually and emotionally by raw patriotism—love of God and country—to hoist an American flag for all the world, friend and foe alike to see, so they would know we had not been defeated.

Even in the ruin and rubble, Old Glory was raised and proudly waved as she had so many times before in peace and war. She rose up out of the dust, dirt and even fire to restore the American spirit, which can not be snuffed out as a burning candle by tragedy or hatred, but is only further motivated to wave higher and further unfold to spread the news of freedom and of victory.

It symbolized freedom, hope, and determination of the American people and the strength of our spirit.

Some have purchased with blood the freedom our flag represents, other have defended it—and by the grace of God those of us in this room have been blessed to simply live under it in the greatest country on the face of the earth.