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Statement by Senator Chuck Grassley, of Iowa  
Ranking Member, Senate Committee on Finance  
News Conference on the Tax Cut, Budget Surplus and Medicare Trust Fund  
Wednesday, July 11, 2001

They say all is fair in love and war. Apparently, the same goes for the politics of taxes and the nation's entitlement systems for retired Americans. It's good for public policymaking to fall under the political microscope and be dissected by different points of view. But during the last week, the art of debate has turned into blatant demagoguery.

Predictably, big spenders in Congress were opposed to trimming tax revenue this year. It means there's less for new government spending. But it's plain old wrong to mislead Americans into believing that we can't provide the kind of substantial tax relief we did with strong, bipartisan support and at the same time protect Medicare.

There were three main reasons for the tax relief package that earned the bipartisan backing of 62 senators.

Americans are over-taxed. Federal tax receipts are at the highest post-World War II levels. Tax cuts clear the path to economic growth. Cutting taxes improves the quality of life of Americans working hard to make ends meet. It leaves families with more money to spend on school clothes, car payments, and home improvements and repairs.

Tax cuts change expectations for workers and investors in the long term. Businesses can grow and create jobs. Given the current state of the economy, just think where we'd be today if we had not passed the historic tax cut this spring. We'd all be talking about the need to cut taxes to stimulate the economy. Instead, people across the country are looking forward to rebate checks this summer. They know they'll have a lighter tax load in the years ahead.

There was also a big enough tax surplus. With it, we made the tax code more fair with the increased child credit and its added refundability, marriage tax relief, the education tax provisions, and the IRA and pension provisions. We provided the greatest reduction in overall tax burden for lower-income taxpayers. Altogether, this tax relief package makes our tax system more progressive.

Bottom line, the carefully constructed tax legislation enacted last month rests on a solid foundation. It shouldn't be dismissed, obfuscated or distorted by budget demagoguery.

This month, the charge has been made that supporters of the tax cut are raiders of the Medicare trust fund. In my book, honesty is the best policy. And the truth is, no one is stealing money from the trust fund. Trust fund balances have not been changed one thin dime because of the bipartisan tax bill just enacted. The Medicare trust fund can only be reduced by payments for Medicare benefits. That's the way it should be. Both Republicans and Democrats have endorsed that principle.

We're going to strengthen and improve the Medicare program for beneficiaries. The Senate added \$300 billion to the budget resolution to update the program and add a prescription drug benefit. The budget surplus remains big enough for the tax cut and Medicare legislation. The challenge for lawmakers is to hold down excessive spending. What we've seen during the last week is dangerous. It's politicking getting in the way of policymaking. Earlier this spring, 48 Democratic senators voted for a tax relief bill that was just \$100 billion less over ten years compared to the tax bill ultimately enacted. A majority of Democrats supported tax relief that was about the same magnitude as the final bill. So why are some Democratic senators pointing fingers at the Republicans and other supporters of the tax cut?

Ensuring the viability of Medicare is one of Congress' most important responsibilities. Misleading charges and demagoguery about the budget and tax policy get in the way of the serious debate that we need to have right now. It's time to improve the Medicare program and add a prescription drug benefit. And that's going to take a strong dose of non-partisan treatment that puts public policy over political gain.