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Senate

(Legislative day of Tuesday, January 10, 1995)

The Senate met at 9:30 a.m., on the expiration of the recess, and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

The Chaplain, the Reverend Richard C. Halverson, D.D., offered the following prayer:

Let us pray:

In a moment of silence, let us remember Senator ALAN SIMPSON and his family in the loss of his beloved mother. Two great mothers have gone from us recently.

Beloved, let us love one another: for love is of God * * *.—I John 4:7.

Our Father in Heaven, we thank Thee for the beautiful differences in the human family—for its varied shapes and sizes, its features and colors, its abilities and talents. We thank Thee for Democrats and Republicans and Independents. We thank Thee for liberals and conservatives, for moderates and radicals. Deliver us from the forces which would destroy our unity by eliminating our diversity.

Help us to appreciate the glorious tapestry of life—the harmonious symphony which we are together. Help us to respect and love each other, to listen and understand each other. Grant us the grace to work together in the strategic mix that is the United States of America.

We ask this in the name of the Lord of Life and History. Amen.

RESERVATION OF LEADER TIME

The PRESIDENT pro tempore. Under the previous order, the leadership time is reserved.

MORNING BUSINESS

The PRESIDENT pro tempore. Under the previous order, there will now be a period for the transaction of morning business not to extend beyond the hour of 10:30 a.m., with the time until 10:30 a.m. under the control of the Senator from Idaho [Mr. CRAIG], or his designee.

The Senator from Idaho is now recognized.

SCHEDULE

Mr. CRAIG. Mr. President, thank you very much. Following the 10:30 special order, the Senate will resume consideration of S. 1, the unfunded mandates bill, and rollcall votes are to be expected throughout the day, and a late night session should be anticipated, according to our leader.

(Mrs. HUTCHISON assumed the chair.)

THE NEED FOR A BALANCED BUDGET AMENDMENT

Mr. CRAIG. Mr. President, I have requested and gained an hour of morning business under a special order today to discuss the beginning of what I believe will be one of the most historic debates that the Congress of the United States will engage itself in and most certainly that the 104th Congress will become involved in. That debate will begin in the House today and will begin in the Senate early next week.

What I am talking about is an issue that many of us for a good number of years have believed is the most important issue to bring our Government back on track and to focus it on the priorities that the American people want us to focus on and that, of course, is the issue of our fiscal matters and our spending under a balanced budget amendment to the Constitution of the United States.

In November of this year, as for a good many years, the American people have spoken very loudly about their desire to see this Congress, and all past Congresses, move in a fiscally responsible way. Our failure to do so over the last good many decades has produced our Nation's largest Federal debt of now 4.6-plus trillions of dollars. It has produced an annualized deficit of nearly $200 billion and an interest on debt—now the second-largest payment in our Federal budget—of nearly $300 billion a year.

I think the American people spoke with fright and alarm this year, that this Congress and its political leaders seem to be unsensitive to the continued mounting of a Federal debt and the potential impact that debt will have on future generations.

Before the President pro tempore opened the Senate this morning, I asked him if he would address us on this issue briefly before he resumed his duties as chairman of a very important committee in the Senate. Certainly, for all of his political life, Senator THURMOND has led this issue, has offered the American people and the Congress of the United States the foresight to focus on the issue of balancing the Federal budget, and he was the first, some 30-plus years ago, to introduce the concept of a constitutional amendment for a federally balanced budget.

At this time, I yield to Senator THURMOND such time as he might consume.

The PRESIDING OFFICER. The Senator from South Carolina is recognized.

A BALANCED BUDGET AMENDMENT

Mr. THURMOND. Madam President, I am very pleased to say a few words on behalf of the constitutional amendment to balance the budget. I have been in the Senate 40 years now and for 36 of those years I have favored a constitutional amendment to balance the budget. I worked with Senator Harry Byrd, Sr., Senator Styles Bridges, Harry Byrd, Jr., and many others in the past, in an effort to get this amendment adopted.

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

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As chairman of the Judiciary Committee a few years ago when President Reagan was the President, I was chairman of the Judiciary Committee and was the author of a constitutional amendment to balance the budget. We got that amendment through the committee and we got it through the Senate. We sent it to the House and the House killed it. The Speaker of the House and the majority leader led the movement to kill that amendment.

Evidently, they did not want to stop spending. And the spending has gone on year after year after year. We have not balanced this budget but one time in 32 years. We have not balanced this budget but eight times in 64 years. That is a disgrace to this Nation. We should not spend more than we take in in any year. And if we do spend more, it should be made up immediately.

Under the South Carolina law and constitution, we have to balance the budget every year, and we do it. If we can do it in South Carolina, we can do it in the United States. It is nothing but reasonableness and fairness and exercising foresight that will balance the budget.

I am very anxious to see us pass this amendment. I think it would be the greatest step we could take.

There are two threats to this Nation that we must realize. One is that we must keep strong armed services. We have threats now throughout the world. We have hot spots in North Korea, Iran, Iraq, and other places. We must keep a strong defense if we are going to remain free.

President Clinton has taken steps to reduce our strength in defense. I am hoping we can rebuild that strength. We need to make the 1996 budget for defense equal to the 1995 budget. We must take steps to rebuild defense so that this Nation can remain free and strong and preserve all that this country has stood for.

The other threat is the fiscal threat, and that is a serious threat. When we have not balanced this budget but one time in 32 years, that means it is a threat. How are we ever going to balance it if we do not take steps? I remember a statute was passed years ago to balance the budget. Before the end of the session, we had passed appropriations to overcome that statute. The statute did not amount to anything. It will not amount to anything now.

The only way, in my judgment, to stop spending more than we take in and to balance this budget is to pass a constitutional amendment to mandate, to make, the Congress do it. The Congress has not shown the attitude to do it. They have not shown the will to do it.

How are we going to handle it? I do not know of any other way under the Sun to do it except to pass this constitutional amendment. I urge my colleagues to go forth and show the courage and take the steps necessary to balance this budget. The best way I know to do it is to pass this constitutional amendment.

First, I want to commend the able Senator from Idaho for the great interest and leadership he has shown on this important question. He is a very fine representative. He represents his State and Nation well. On this particular question he has shown unusual leadership and is to be commended.

Mr. CRAIG. Madam President, let me thank the Senator from South Carolina and once again recognize his early and continued leadership on this most critical issue. I thank him for making those opening comments this morning on this special order as we begin to debate the balanced budget amendment.

As I mentioned in my opening comments, Madam President, the House begins debate on House Joint Resolution 1. Under the rule reported from the Rules Committee, six substitute amendments are in order from the following Members: Mr. BARTON, Mr. OWENS, Mr. WISE, Mr. CONYERS, Mr. GEPHARDT, and SCHAEFER-STENHOLM. In other words, the House is looking at a variety of approaches to offer an amendment through the resolution process to our American citizens.

Of course, we must recognize that any one of those resolutions, as is true of the resolution here in the Senate, has to gain the necessary two-thirds vote for final passage. There will be about 3 hours of general debate and 1 hour of debate on each one of the substitutes.

The reason I bring this up, Madam President, is because early next week we will begin debate on a very similar resolution to the Schaefer-Stenholm resolution. Already there is talk that that debate could go on for 2 weeks, 3 weeks. There could be 200 or 300 amendments, all dealing with different aspects of Federal spending that some Members of the Senate think ought to be exempt from the rule or the constitutional requirement of a balanced budget.

Whatever time we take in the House and in the Senate, I believe the most significance to that time will be reflective on the importance of this debate and the attention the American people are giving it. There will be a good many arguments about whether we should or should not balance the Federal budget, whether we should exempt certain portions of the budget, whether we should clearly establish priorities of spending within the Constitution, or whether we ought to be sensible, as I think the Senate resolution is, to establish the ground rules of a constitutional requirement for a balanced budget and then to recognize, as I think all Americans recognize, that over the length and breadth and strength of a Constitution now having directed the Senate for over 208 years, that it is the Congress itself what must establish the spending priorities from one generation to another.

It is clearly important that we establish the rule of a balanced budget and the dynamics of how we get to a balanced budget through a procedure. Certainly, it is the responsibility of the House and the Senate, of the Congress of the United States, to establish the spending priorities. That certainly is what the Senator from South Carolina was referring to this morning when he placed high on the list of priorities for the strength and stability of our Nation in a world of nations our national defense and a concern that that ought to be, as our Founding Fathers said, one of the primary responsibilities of a Federal central government: providing for our national defense and our human freedoms. That is a priority that the Senator from South Carolina would establish. It would be a priority similar to the one that I would want. It would list high on a number of items that I might place as priorities for spending.

What is reality today is that there is no fiscal discipline within the bodies of the Congress of the United States, so there need not be the listing of priorities, there need not be the responsibility of turning to the American citizen and saying, ''Here is the money we have to spend; here is where we are going to spend it'' because we believe that is the best priority outline that we can offer to the American people at this time.

Second, under our Constitution, we have clear obligations, and that is, of course, to provide for the common defense and, in the words of our Constitution or the preamble, to promote our Nation's welfare.

I am pleased to be joined this morning with the Senator from Wyoming, and I ask at this time if he would like to participate in our special order. I yield to the Senator from Wyoming such time as he may consume.

Mr. THOMAS addressed the Chair.

The PRESIDING OFFICER. The Senator from Wyoming.

A BALANCED BUDGET IS NOT A NEW IDEA

Mr. THOMAS. Madam President, I thank the Senator. I am pleased to have the opportunity to join in to talk about a balanced budget amendment.

There has been a great deal of talk about it. There continues to be a great deal of talk about it. There is a great deal of interest in this matter, as there should be. I think most of all, as evidenced by the leadership of the Senator from Idaho, there is a great deal of dedication to getting this job done.

Voters supported the idea in November. It is not a new idea. Somehow some of the discussion seems to center on what will we do with such a thing. The fact is that it is not a new idea. It is not a new idea for the Congress. It is not a new idea for the Nation. Indeed, it is used by 48 States now, and used successfully in my State of Wyoming. We have a constitutional balanced budget amendment. The legislature and the government live by that constitutional amendment without a great deal of problem, as a matter of fact.

So, it seems to me that it is terribly important. It is important because it

will result in a balanced budget amendment and a balanced budget that we all agree should happen.

It is also a symbol of responsibility, both morally and fiscally. So it is something that we really ought to do. There are, of course, a couple of questions that are always asked. The first question and the basic question we ought to ask ourselves and voters ask themselves and citizens ought to ask themselves is: Should we, in fact, balance the budget? Should we in the Congress spend more than we take in? Should we live on the same basis as our families must? As our businesses must? As local governments must? And that is, that we have to have a balance between revenue and expenditures, a reasonable thing. That first question is: Should we do that? The answer is, I think, almost unanimous, not only among Members of the Congress, but among voters and among citizens: Yes, indeed, we should do that.

So, a citizen in Greybull, WY, says: What is the discussion about? I do not quite understand this. Of course we ought to balance the budget.

The fact is we have not balanced the budget and we need to do something about it.

He says: Gosh, everyone says they are for a balanced budget. Do you know of anyone who says, no, we should not balance the budget? Of course not. Everyone wants to balance the budget. And yet we find more and more people who are saying, ''What is the hurry? Let us delay this. I am not sure about this. Let us talk about it,'' as if we had not talked about it before.

They oppose the amendment saying we do not need an amendment; we have the tools. The Director of OMB was on TV the other day in sort of a debate about it and saying, ''Gosh, we do not need an amendment; we can balance the budget. We have the tools.'' The fact is, the evidence is, that that is not true. We have not balanced the budget. We have balanced the budget once, I think, in 26 years or something and just a few times out of the last 50 years.

So the fact is that there does need to be some discipline. The idea that we want to balance the budget does not just make it happen. I understand why it does not happen. There is always a reluctance to raise revenues and there is always a willingness on the part of politicians to want to do things for their constituents. And I understand that. The result, of course, is that we spend much more than we take in. The result is that we have nearly a $5 trillion deficit that you and I and our children and our grandchildren must live with.

So then some say, ''Well, what about the details? We want to know precisely how you are going to do this.'' Obviously, that is almost an impossibility. It is going to be done over a period of time and, I must tell you, I am not concerned about the fact that it is 5 years or 7 years or, personally, if it is 10 years. If we are in a course toward balancing the budget, moving without deviation to that, if it takes longer, let it take longer.

But who knows what the economy will be in 5 years? Who knows? So the idea that you can lay out in detail how you are going to do it does not seem to be reasonable. It seems to me, rather, to be a way of saying, ''Yes, I am for a balanced budget, but unless you can give the details, then I am not for it.'' It is simply a way of saying I am for it and not for it, which is not a new technique in this place, by the way. It is done quite often.

The other interesting thing about that is the same person will say, ''We can balance the budget without the amendment, but I want to know the details if you are going to have an amendment; tell me the details of how you are going to do it without an amendment.'' The cuts are going to have to be about the same.

Then I heard someone this morning on TV say, ''We want to know about Social Security.'' We have clearly said Social Security is not to be a part of the reduction. We have clearly said that Social Security is an obligation that we have to Social Security recipients.

We hear a great deal about cuts, as if there would be draconian cuts to do this. The fact of the matter is that what we are really talking about is a reduction in the growth. That is what it takes, the discipline to have a reduction in the growth.

I noticed there are others on the floor who want to talk about this. I feel very strongly about the balanced budget amendment. As I indicated, as a member of the Wyoming Legislature, I was involved with this process. I think it works. I think it should work for us on the national level. I think we have a great opportunity to do that now.

I think this is one of the procedural changes that we really need to have if you want to have a change in Government. Procedural changes are, in the long run, more important than are the specific changes that we will make in this year or any other year because they change the way that the Congress deals with problems.

Procedural changes, like the one that we have already passed on making the Congress accountable, to live under the same rules that we expect everyone else to live under, changes like line-item veto are very important, it seems to me.

It is almost impossible for Members of this body or the House to reach into bills and make changes on the floor. But the President is the only person who has the kind of political structure on which to stand to make those sorts of cuts in pork. The line-item veto is very important.

I happen to believe that unfunded mandates is one that we have to pass. Procedurally, that will change the future of how this Congress behaves. I personally believe we ought to have term limits. These are the procedural changes that will impact the decisions we make.

I am persuaded—I think most people in this country are persuaded—it is morally and fiscally correct to balance the budget. I am persuaded the evidence shows we have not and cannot do it without the discipline of an amendment. I am persuaded that the States and the people, through their legislatures, ought to have a chance to deal with it on a constitutional basis.

I urge that we move forward and give the people of America an opportunity to deal with this issue through their legislatures.

I yield the remainder of my time.

(Mr. JEFFORDS assumed the chair.)

Mr. CRAIG. Mr. President, I thank the Senator from Wyoming for participating with us this morning in the discussion of the debate that, as I mentioned earlier, is beginning today in the House and will commence next week in the Senate, one of the most important debates, I think, any of us who are privileged to serve in this Chamber will engage in in the course of the next good many years.

Let me now yield such time as he would desire to the Senator from Georgia for comments on the balanced budget amendment.

A GREAT ISSUE BEFORE THE NATION

Mr. COVERDELL. Mr. President, I thank my colleague from Idaho for the opportunity to share thoughts on this great issue before the Nation called a balanced budget amendment.

I really do not think we would be in this debate this year except for one thing: I believe this would have passed the U.S. Senate last year. We had a very strong debate and very narrowly failed to pass a balanced budget amendment a full year ago.

Why did we not pass it? In my judgment, it failed because the President of the United States chose to oppose it. When it was clear that the President would not throw his weight behind this idea, I sensed the energy in letter after letter coming in from one special interest group after another that had become dependent upon the Federal Government and its largess, stacks upon stacks upon stacks, in an effort to frighten the American people about the consequences of a discipline machinery to deal with the financial health of our Nation.

Fair tactics—will somebody be affected? Will there be less there for them if we manage the financial health of the Nation?

In my judgment, we would have passed it had the President assisted.

This is important as we begin this debate, Mr. President, because shortly thereafter—shortly thereafter—the Nation had a chance to reflect on that debate and this Presidency, and the contest that has been waging in our Nation's Capital about governance, how are we going to govern ourselves? As we have, or are we going to change our ways in the Nation's Capital?

The election of November 8 probably is only paralleled maybe four other times in American history. Four other times in the entire history of this Nation has the whole of the Nation come so forcefully to an election. I think much of it was shaped by that balanced budget debate which was defeated with the weight of the Presidency against it.

Then we have a public opportunity to comment and the public says, ''We want the way things are done in Washington changed and we are going to change the people who represent us there.'' And they did, in overwhelming numbers.

At the center of the debate, over and over, was the balanced budget amendment. The people who were sent here are supporters of the balanced budget amendment. Many of the people who opposed it were not returned. Today, between 7 and 8 out of 10 Americans across the land support the balanced budget amendment.

In the last few weeks, we have heard talk about ''reinventing the President.'' From my point of view—I am sure my advice is not adhered to down at the Pennsylvania Avenue White House—you really cannot reinvent people who have been in public life a quarter of a century. I do not think it is a useful term. But in any event, ''reinventing the President.''

Last night, we were to have our first view of the new look. I think it has all paled and will all be forgotten and will all be set aside except for two paragraphs of the speech; a 1½-hour speech and about a 3-minute piece will be the substance that will be remembered.

That is when the President about midway through the speech said, ''I do not support the balanced budget amendment,'' having supported a balanced budget. But that is the routine we have been playing for the last 30, 35 years. We all support a balanced budget, but we never get to one.

To me, the President defined and made vivid his decision about the next 2 years of his administration when he decided: ''I do not support the balanced budget amendment.'' That means that the message of November 8 has not been embraced by this President. Anything that was so core to the election, so overwhelmingly supported, to be rejected in the face of all this, to be set aside, that he will stand in the way of that yet again as he did last year, defines his view of this capital city. What it says is I think things are just fine the way they are. I do not think we need to change the rules. We do not need to change the rules to balance the budget. The reason so many Americans support it is they do not believe that anymore. And why should they? We never do.

Mr. President, the American people realize that we must change the process and the procedures by which we deal with governance in this country. They believe the Federal Government has become too big; that it exacts too much of the fruit of their labor. They work from January to June, some of them August, before they get to keep the first dime for their own dreams. They feel the Federal Government has become too intrusionary, too much in their face.

The balanced budget amendment is symbol and substance—symbol and substance. It symbolizes that we are going to change; that we are going to reorder the way we manage our financial health; that we are going to come to grips finally with the setting of priorities; that we are going to force ourselves to pick that which we can do and that which we cannot do.

When the President decided he would not support it, he was saying, loud and clear, we are going to keep on doing things just the way we have been, and I am not going to listen to the message of November 8.

Then he went a step further; he began using the same techniques that have been used historically to frighten America, to frighten her about a discipline and a new set of rules, to start picking out different groups of people and saying, now, wait a minute. If we start setting priorities, this may affect you.

It had been that technique over the years that has blocked, time and time again, our coming to grips with our priorities. You know what I would say to those groups? I would say that if this Nation does not find a way to discipline its financial management, it will be unable to care for anyone.

Have you ever known a family, have you ever known a business, have you ever known a community, a State or a nation that was able to effectively provide for its needs and its priorities if it was financially weakened or unhealthy or it had been undisciplined in the process by which it governed itself, that it had mounted debt it could no longer control?

We only need to look south of the border, not far from here, to know what happens when you do not have sound financial management. Who is impacted by that? By every report, the disadvantaged, the poor. Those who are on the margin are the ones who are going to suffer from that crisis in Mexico.

The balanced budget amendment is a fundamental core process that forces our Nation to set priorities and assures us that we will always maintain financial integrity, and that integrity is fundamental to our ability to take care of our responsibilities for ourselves and our responsibilities as the leader of the free world and civil order in that world.

Mr. President, I yield the floor to my colleague from Idaho.

Mr. CRAIG. Mr. President, I thank our colleague from Georgia for those well-placed comments and pointing out some of the stark reality of the debate and the support and the opposition for this most important issue.

I was in the Chamber of the House last night for the State of the Union speech, and I was very disappointed when our President used the old argument: well, if you are going to balance the budget, show us where you are going to cut.

That is like saying to a man or a woman who is terribly overweight and they are just getting ready to start a diet, tell me every bite of food you are going to take over the next 4 or 5 years to lose all of your weight—every bite, every kind of food.

You and I know that is not possible. What we do know, when someone announces they are on a diet and has consulted a doctor and is beginning to work, they have started a process, and they have begun to work toward a goal and they have put themselves on a regimentation.

Mr. President, that is a phony argument, and you used it last night, and you know it is. Over the next 5 or 6 or 7 years, as the Senator from Wyoming spoke, as we balance the Federal budget, priorities may shift, they may change a little, and we may choose to spend less in one area and more in another because we have seen that is where the American citizenry needs their tax dollars spent.

So as the Senator from Georgia said, what we speak about today and what begins in the House today and on this floor next week is the debate about putting into the Constitution a process requiring a procedure through a process that gets us to a balanced budget and begins to build the enforcement of what we hope would become a standard discipline in this Congress, and that would be to balance the budget on an annual basis.

Mr. President, we are now joined by our colleague from Michigan who just in the past few months has campaigned on this issue and others. The people of Michigan decided to send him here to work in their behalf on issues like the balanced budget, and I would now yield to that Senator such time as he might consume.

BALANCED BUDGET AMENDMENT

Mr. ABRAHAM. Mr. President, as Congress prepares to take up a balanced budget amendment, I would like to offer to my Senate colleagues the perspective of a new freshman Senator who ran on an aggressive platform to reform Congress and limit the size of Government.

In my view, the balanced budget amendment to the Constitution embodies the spirit of the electorate that voted for a Republican Congress for the first time in 40 years last November. We in the Senate should not let them down.

The Founding Fathers recognized that persistent Government deficits and the growth of Government has consequences for the long-term stability of our democracy and implications for our individual freedoms.

The reason why the Founding Fathers did not include a balanced budget requirement in the Constitution is because they felt it would be superfluous.

Paying off the national debt and balancing the budget was considered a high priority of the early administrations.

Consider the following comments by some of our Nation's early leaders:

Thomas Jefferson: ''The public debt is the greatest of dangers to be feared by a republican government.''

John Quincy Adams: ''Stewards of the public money should never suffer without urgent necessity to be transcended the maxim of keeping the expenditures of the year within the limits of its receipts.''

James Monroe: ''After the elimination of the public debt, the Government would be left at liberty to apply such portions of the revenue as may not be necessary for current expenses to such other objects as may be most conducive to the public security and welfare.''

From 1879 until about 1933 the Federal Government operated under an implicit balanced budget requirement. Spending remained low—and rarely exceeded revenues. To the greatest extent possible, the existing debt was reduced.

As a consequence, Federal spending as a share of GNP never rose above 10 percent. In the mid-1930's, the rise of Keynesian economics gave politicians the economic rationale to increase Government spending to solve the Nation's economic problems. As a consequence, the balanced budget discipline was abandoned—and Federal spending exploded.

Today, Federal spending as a share of our national income stands at 22–23 percent—near historic levels. In effect, deficit spending has become the norm.

Because there are no limits to the availability of deficit spending, Members of Congress find it extraordinarily difficult to resist such spending. On the one hand, every dollar of deficit spending creates some measure of political advantage by pleasing parts of a Member's constituency; on the other hand, there is no need for Members to incur equivalent political disadvantage by having to raise anyone's taxes.

All the balanced budget amendment does is eliminate from our system this built-in bias toward spending caused by the unlimited access to deficit spending.

Critics of the amendment charge that it is a hollow gimmick, a substitute for making real choices about how to balance the budget. Perhaps the best way to respond to this charge is to examine how balanced budget constraints have worked on the State level. Every State except Vermont has some sort of statutory or constitutional requirement to balance its budget.

According to economist Bruce Bartlett, in 1933 total Federal spending was $3.9 billion and total State and local spending was $7 billion; 60 years later, however, the situation was almost reversed. By 1993, Federal spending had risen to $1.5 trillion, while total State and local spending had risen to $865 billion.

The fact that State governments were required to make real choices and balance their budgets, while the Federal Government did not, was the major reason why Federal spending has dramatically outraced State and local spending.

Without a balanced budget amendment, this Nation could be looking at Federal deficits in the trillions of dollars within 15 years. I was sent here by people who will not accept such a fate.

The proposed amendment does not read into the Constitution any particular level of spending or taxation, or mandate particular economic policy outcomes. It only restores the historical relationship between levels of public spending and available public resources. National solvency is not—nor should it be—a partisan political principle. It should be a fundamental principle of our Government.

Mr. President, I yield the floor.

BALANCED BUDGET AMENDMENT

Mr. CRAIG. Mr. President, let me thank my colleague from Michigan for saying that a balanced budget amendment should be a fundamental principle. It was historically. While it was not embodied in our Constitution, it was a fundamental principle of our Founding Fathers. And it was a fundamental principle of many Congresses for well over a century.

This Congress, this Government recognized there might be times of deficit. But during the good times, after you had overspent—whether it was for war or for other extraordinary purposes—you paid off your debt. In fact you ran a surplus.

That was an important part of the way our Nation kept its fiscal house in order. Of course we have lost that principle and now, for many decades, we have run deficits that mounted the debt I referred to earlier. Over the course of the next good many weeks there will be a variety of arguments about why we cannot balance the Federal budget.

I ask unanimous consent to have printed in the RECORD an article from Business Daily that appeared this morning entitled ''A Balanced Budget Myth Bared: Economic Cycles Unlikely To Worsen Under Plan.''

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Investors Business Daily, Jan. 25, 1995]

A BALANCED BUDGET MYTH BARED; ECONOMY CYCLES UNLIKELY TO WORSEN UNDER PLAN

(By John Merline)

A balanced budget amendment will either restore fiscal sanity to a town drunk on deficit spending or lead the country toward economic ruin.

Those, at least, are the stark terms typically used by supporters and opponents of a constitutional amendment outlawing deficit spending.

And, while passage of a balanced budget amendment is almost a sure thing this year, debates over its merits remain fierce—with critics from all sides of the political spectrum lobbing grenades at it.

Democrats don't like the rigidity it imposes while conservatives fear it may bias Congress towards tax increases.

One of the principal criticisms of the amendment is that it would short-circuit the federal government's ability to fight recessions, either with ''automatic stabilizers'' or with stimulus spending like temporary tax cuts or spending hikes. Yet there is little evidence to support this view.

''When purchasing power falls in the private sector, the budget restores some of that loss, thereby cushioning the slide,'' said White House budget director Alice Rivlin in testimony before the Senate Judiciary Committee earlier this month.

''Unemployment compensation, food stamps and other programs fill the gap in family budgets—and in overall economy activity—until conditions improve,'' she said, defending the budgetary ''automatic stabilizers.''

In addition, because of the progressive income tax code, tax liability falls faster than incomes drop in a recession, slowing the decline in after-tax incomes.

The result, however, is typically an increase in the deficit.

Mandatory balanced budgets would, she argued, force lawmakers either to raise taxes or cut spending in a recession to counteract increased deficits.

''Fiscal policy would exaggerate rather than mitigate swings in the economy,'' she said, ''Recessions would tend to be deeper and longer.''

Other economists agree with Rivlin.

Edward Regan, a fellow at the Jerome Levy Economics Institute in New York, argued that the amendment would ''restrict government efforts to encourage private sector activity during economic slowdowns.''

The assumption, of course, is that these automatic stabilizers actually work as advertised, an assumption not all economists share.

''If anything, I think the government has made economic cycles worse,'' said James Bennett, an economist at George Mason University.

Bennett, along with 253 other economists, signed a letter supporting a balanced budget amendment introduced last year by Sen. Paul Simon, D-Ill.

Ohio University economist Richard Vedder agrees. ''If you look at the unemployment record, to use that one statistic, it was more favorable in the years before we began automatic stabilizers than in the years since,'' he said.

Much of the countercyclical programs were implemented in the wake of the Great Depression.

Unemployment data show that in the first three decades of this century the average jobless rate was roughly 4.5%.

PROLONGING SLUMPS

In the four decades since World War II, the rate averaged 5.7%. And, from 1970 to 1990, it averaged 6.7%.

In addition, some of the stabilizers may actually keep people out of the work force for longer periods of time, possibly prolonging economic slumps.

A 1990 Congressional Budget Office study found that two-thirds of workers found jobs within three months after their unemployment benefits ran out—suggesting that many could have found work sooner had they not been paid for staying home.

Other data suggest that, at most, federal fiscal policy has had only a small stabilizing effect on the economy, despite the sharp increase in the economic role played by government.

A study by economist Christina Romer of the University of California at Berkeley

found that economic cycles between 1869 and 1918 were only modestly more severe than those following World War II.

Romer corrected what she said were serious flaws in data used to suggest that the pre-war economy saw far larger swings in economic cycles.

The finding runs contrary to conventional wisdom—which posits that government fiscal programs enacted after the Great Depression have greatly reduced the magnitude of boom and bust cycles.

''I think there are plenty of arguments against the balanced budget amendment,'' said Christina Romer is an interview. ''I would not put much emphasis on taking away the government's ability of having countercyclical fiscal policy.''

PRIVATE INSURANCE

Other economists argue that, even if economic stabilizers made a difference at one time, vast changes in the economy have diluated the importance of government efforts.

''All this policy was formulated before the days of easy access to credit cards, two-earner families, and so on,'' said Bennett.

Finally, some economists note that the stabilizers Rivlin points to don't have to be a function of government.

Private unemployment, farm or other insurance could provide needed cash during economic downturns, they say, replacing the government programs as the provider of these funds.

While the effectiveness of automatic stabilizers is doubted by some, straightout antirecessionary stimulus spending has few outright backers—for one simple reason.

Every major stimulus package since 1949 was passed after the recession was already over.

These packages typically consisted of temporary tax cuts or spending hikes designed to boost economic demand and artificially stimulate growth.

The problem has been that, by the time Congress recognizes the economy is in a slump and approves a package, it's too late.

TOO LITTLE, TOO LATE?

Clinton's failed stimulus package, for example, was proposed nearly two years after the 1990–91 recession ended, and half of the money wouldn't have been spent until 1994 and 1995.

A study of the 50-year history of stimulus-packages by Bruce Bartlett, a senior fellow at the Arlington, Va.-based Alexis de Tocqueville Institution, concluded that ''without exception, stimulus programs have failed to moderate the recessions at which they were aimed, and have often sowed the seeds of the next recession.''

''These programs have not been simply worthless, but harmful,'' Bartlett wrote. ''It would have been better to do nothing.''

Further, even assuming the economic stabilizers or stimulus spending work as intended, a balanced budget amendment would have little bearing on the government's ability to pursue these policies during recessions.

First, the amendment allows Congress to pass an unbalanced budget, as long as it can muster 60% of the votes.

And, lawmakers could avoid that by simply running a budget surplus during growth years.

''The best technique is to aim for a modest budget surplus, of about 2% of GDP, over the course of the business cycle,'' Fred Bergsten, director of the Institute for International Economics, told the Judiciary Committee.

''This would permit the traditional 'automatic stabilizers,' and perhaps even some temporary tax cuts and spending increases, to provide a significant stimulus to the economy,'' he said. Interestingly, Rivlin herself made similar arguments in her book, ''Reviving the American Dream,'' which was published shortly before she joined the Clinton administration.

In that book, Rivlin said that the federal government should run annual budget surpluses—increasing national savings and, in turn, economic growth.

At the same time, Rivlin said the federal government could strengthen federal ''social insurance'' programs designed to mitigate economic swings.

To accomplish this, she proposed shifting whole blocks of federal programs down to the states, including education, welfare, job training and so on.

Whether the amendment should contain a tax or spending limitation provision is another subject of debate.

''Absent a three-fifths majority provision, there will be significant tax increases if a balanced budget amendment is approved,'' said Allen Shick, a budget expert at the Brookings Institution in Washington, at a recent Brookings-sponsored budget briefing.

That is precisely what worries conservatives who insist that the supermajority language is included in the amendment.

A SUPERMAJORITY ON TAXES

''The supermajority requirement is premised on the fact that there is an intrinsic bias in favor of tax increases,'' said Rep. Joe Barton, R-Texas, who co-sponsored the tax limitation amendment.

While benefits go to specific groups who can effectively lobby Congress, taxes as spread more widely, he said.

A balanced budget amendment without a supermajority might, Barton and others argue, exacerbate this bias—requiring a supermajority to borrow money but only a simply majority to raise taxes.

He points out that in states with tax limitation laws, taxpayers saw taxes decline 2% as a share of personal income between 1980 and 1987. States without such protection saw taxes climb a comparable 2% over those years.

Sen. John Kyl, R-Ariz., argues that a spending limit, rather than a tax limit, should be included in the amendment.

''It's very important both how you balance the budget and at what level you balance it,'' he told Investor's Business Daily.

''If all you have is a requirement to balance the budget, Congress can fix the level of balance at too large a percentage of gross national product,'' he said.

SPENDING LIMIT AMENDMENT

Kyl proposes a constitutional limit on federal spending at 19% of gross national product—roughly equal to the average level of federal revenues over the past several decades.

Not everyone things these limits need to be in the amendment.

''The balanced budget rule should stand alone on its own merits,'' said James Buchanan, Nobel Prize winning economist at George Mason University, at the Judiciary committee hearing. ''To include a tax or spending limit proposal . . . would, I think, make the proposal vulnerable to the charge that a particular economic attitude is to be constitutionalized.''

Buchanan argues that such limitations should be passed as separate laws.

Others argue that even without a supermajority tax requirement, voters will not stomach more tax hikes. They point to the recent election outcomes as proof of the punishment leveled against tax-raising lawmakers.

''That's the true tax limitation,'' said Sen. Larry Craig, R-Idaho.

Mr. CRAIG. Mr. President, the writer of this article suggests that one of the standard arguments we are hearing, and we have now heard before both the committees—the Judiciary Committees in the House and the Senate—that have taken testimony on a balanced budget amendment, have come from people like Alice Rivlin who, in testimony for the White House as the Budget Director, suggests that we cannot possibly strive to balance the budget because, she suggests, that when purchasing power falls in the private sector—in other words referencing a recession—that the Federal budget must be there to stimulate, to cushion the slide, to cushion the downfall. She and others have used that as a standard argument, that under the ''straitjacket of a balanced budget amendment, the Federal Government will not have that kind of flexibility. As a result, recessions will become deeper, verging on to depressions. Certainly our citizens will suffer as a result of it.''

That is what she and other economists believe. They would argue that is largely the substantial majority of belief embodied in the community of economists in our Nation today.

I would like to argue differently. James Bennett, who is an economist at George Mason University, along with 235 other economists, have signed a letter supporting a balanced budget amendment of the very kind that the Judiciary Committee here in the Senate has brought forth that we will begin debate on next week.

Ohio University economist Richard Vedder agrees that the automatic stabilizers, if you will, that Alice Rivlin talks about, really are not necessary if you treat the economy of this country and if you treat the budget of our Government in an interesting way, and that is to keep it balanced and in the good years run a little surplus like they used to do, a good many years ago, and use that surplus in the more difficult times or recessionary times, to provide the cushion, and that in fact you will have fewer recessions, fewer radical swings in the economy, because you have created a much more stable private sector with a much stronger private sector financing base than to constantly be pulling from the private sector ever larger sums into the Federal package.

Every major stimulus package, this article says—which I think is fascinating—every major stimulus package that the Federal Government has passed to soften a recession since 1949 was passed after the recession was over.

If you remember, last year our President brought a stimulus package to the floor of this Senate, and to the Congress of the United States, arguing that this was going to be a cushion in the recession. Yet we were out of the recession. We had been out of the recession a year and a half. Last night this President touted that in his 2 years of Presidency so far we have had the

strongest economy, we have created the largest number of jobs, that our economy is stronger now than at any other time in the Nation. How could, just a year ago, this President have been offering a stimulus package to pull us out of a recession because we were still in one? Mr. President, you cannot have it both ways. Because what you were suggesting last night was true, or what you were suggesting last year was true, but both cannot be true.

This article points out that historically, every time we have used a stimulus package since 1949 it has been at least 1 year after a recession was over with, and in the case of last year, nearly 2 years after the recession was over with.

What that references then is that it was not necessary, that, in fact, it created a deficit and it created debt, and it may well have brought on the next recession by pulling an excessive amount of money out of the private sector at just the time it was lifting off, growing, and creating jobs.

Mr. President, at this time let me yield to my colleague from Montana to use such time as he may desire.

Mr. BURNS addressed the Chair.

The PRESIDING OFFICER. The Senator from Montana is recognized using the time of the Senator from Idaho which expires at the hour of 10:30.

THE BALANCED BUDGET AMENDMENT

Mr. BURNS. Thank you, Mr. President. I want to thank my friend and neighbor from Idaho, not only for this time but also for his leadership on this particular issue. It is not just this year that he has been involved in this. I think he has been involved in the balanced budget debate ever since he served in the House of Representatives, and he still works very closely with our friends in that body.

I just need a couple of minutes to remind the American people about, basically, representative government and the debate on priorities. If we ever worked in local government where the law says you will balance a budget and you will retain reserves on each line, no matter what the county government or what part of county government you look at, there was always a reserve. You were by law given a cap on how much reserves you could keep, but you also maintained those reserves.

So, basically, that is what we are talking about when we talk about a balanced budget amendment. It is the old self-governed philosophy as we pick our priorities and what is important to the survival of a free society.

We worked in Montana under an initiative called 105. We could not levy any more mills to raise taxes. In a time of declining property values when your entire budget almost was set on property values, the mills that you collected and put in your coffers and delivered the services that people then wanted, it was a wrenching experience to go through and say, ''We just cannot find enough money for our museums, for our libraries, for our schools, for roads and bridges.'' Then we had to go back and sort of survey exactly the mission of government. What is government for? We had to reidentify. What is our mission here? What is our primary consideration? What are our second considerations if we have the money?

I would suggest that those primary considerations would be, first, public safety. That is our fire, our police, our emergency. I say that is the first consideration of government, public safety. Then I would go to probably transportation because we have to get farm-to-market roads; to provide, in other words, transportation, that highway of commerce that leads to all other elements of government. Then I would have to say it has to be education. They do not have to be in that order. But that is the primary purpose of government.

Then, when you move off of that—you are talking about dollars—if we have some, it is nice to add some amenities. Then we have to start looking at utilities, water, public health.

But I think we have to reevaluate why we have government. That is what this debate will be about; where we set our priorities. After all, is not that the debate of a free people? We will have to redefine the mission of government as we go into this debate called a balanced budget amendment. It forces us to take a look at those priorities, to set them and fund the ones we can. Yes. If the public wants more, then we should say it will cost such and such dollars. Are you willing to pay those dollars for that particular program?

I have said all along we can get to where we want to go in this debate if we have some reform. We need regulatory reform and spending and budget reform. The balanced budget amendment makes us go to those reforms and makes us take a look at them. In fact, as our good friend from Pennsylvania said yesterday in a small debate on a balanced budget, it starts the clock. It puts us on the field. It makes us look at our priorities.

So I thank my friend from Idaho. I just wanted to make those comments this morning. But we must not take our eye off of the ball. It forces us to set priorities. I think that is what the American people say. I think that is why they sent us here, to say, look at your priorities.

We heard the discussion about public radio and the NEA, the National Endowment for the Arts. I am saying, if my particular area of great interest is the ability to feed and clothe this great Nation, where are our priorities? Where are our priorities to maintain a free society and to bring together those elements that create a standard of living that is unmatched by any other society to this date in our history, and to take care of this little piece of mud that happens to be whirling through the universe? What this does is set priorities. I support it wholeheartedly.

I thank my friend from Idaho.

I yield the floor.

Mr. CRAIG. Mr. President, in my concluding minutes, let me thank my colleague from Montana for his strong support and for the always strong dose of good common sense he brings to the floor of the U.S. Senate, which sometimes does not prevail here when we debate fiscal matters, when we work in setting the priorities that he so clearly spelled out are the responsibilities of legislators like ourselves in meeting the mandates of a constitution and of the kind of government we have.

I think we all recognize that our Government cannot be all things to all people, and yet for well over three decades we have had a Congress that largely believed we could continue to spend and get involved in almost every aspect of American life, stimulating, offering, providing, adding to and always directing and controlling ultimately when we put the Federal tax dollar there. That has amounted, as I mentioned in my opening comments, to a $4.7 trillion debt that is now more than $18,500 of debt for every man, woman, and child in the United States.

In just a few moments we will resume debate of S. 1. That again is symbolic of a Congress and a government that has lost its vision of what our Government and country ought to be like. Our State Governors said, if you are going to pass a balanced budget, then pass S. 1 first so that you will not have the ability of a central Federal Government to push through to us mandates and then require that we raise the taxes. In other words, S. 1 really forces the priority process that my colleague from Montana so clearly talked about, which is part of the debate that is very much important in the whole of what we plan to do in the reorganization and redirection of our Government that was demanded of us by the electorate on November 8.

But, once again, let me remind my colleagues that as we begin this debate, there will be loud cries of: Show us your nickel and show us your dime, show us where you are going to spend, show us every bite of food you are going to take as you scale down your diet and you plan to lose weight.

Let me remind my colleagues we are talking about, with this Senate resolution, a balanced budget amendment to the Constitution. That is a process. That then requires a procedure to be adopted by the Congress of the United States to establish the priorities and spending and to bring us to a federally balanced budget.

So let the debate begin. Let us recognize over the next several weeks that this is only the beginning, that if this Congress sends forth a constitutional amendment, it must go to every State capital in this Nation and every legislator. And I hope every citizen becomes involved in what could be one of the most unique national debates in the history of our country as the citizens determine whether they want to ratify

by 38 States the balanced budget amendment and begin to require the Congress of the United States to live within the parameters of a process that we will soon begin to debate and hope to establish.

I yield the remainder of my time.

THE STATE OF THE UNION ADDRESS

Mr. DOLE. Mr. President, last night was a time for rhetoric. And no doubt about it, President Clinton knows how to give a good long speech.

And now that the President has delivered his speech, the Republican Congress will continue to deliver on the promises we made to the American people.

For we know that the success of this Congress—as well as the future of our country—does not depend on our words. They depend on our actions.

And now it is time to act. It is time to carry out the mandate the American people gave us on November 8. And that means limited Government, less spending, fewer regulations, lower taxes, and more freedom and opportunity for all Americans.

As Governor Whitman said last night in the Republican response, if President Clinton is ready to help us achieve those goals, then we welcome him aboard. But we won't wait long to see if he means what he says. The train is pulling out of the station. Republicans are getting on with the business of changing America.

If President Clinton is truly committed to change, I hope he has a talk with with congressional Democrats—many of whom are devoting themselves to derailing Republican efforts to give government back to the people.

And while I do not begrudge anyone standing firm against legislation they oppose, some of my Democrat friends are doing their best to block legislation they support.

The American people are in a demanding mood—and rightfully so. They are watching us very closely. And they will know who is responding to the message they sent, and who is restoring to 100 percent pure partisan politics.

The President spoke again last night about Americans he terms as ''middle class'' and those he terms as the ''under class.''

We have a basic fundamental disagreement in philosophy here. Republicans do not believe we should create factions of Americans competing against one another for the favors of Government. Instead, we believe we should lead by taking actions that instill hope and restore freedom and opportunity for all Americans.

So, this Congress will carefully consider the President's so-called middle-class bill of rights,—but our actions will flow from the real Bill of Rights—the one that contains the 10th amendment to the Constitution.

The President did not mention that amendment last night, so let me read it for the record. It is very short.

> The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States, respectively, or to the people.

End of quote. That is all there is. That is the 10th amendment.

Let me close by saying how exciting it was for some of us, particularly me, to look up last night and see a Republican Speaker sitting behind the President. We have waited—some almost a lifetime, 40 years—to see this happen. In fact I think it was a sight I was beginning to loose hope of ever seeing.

But now it is a fact. And the President well knows that this Congress is much, much different from those in the recent past. He talked about yesterdays. This is not yesterday's Congress. This is a new Congress. This is not a big taxing, big spending Congress. This is not a Congress that has a government-mandated solution to every problem.

Rather, this is a Congress that has a very specific mandate from the American people. President Clinton said last night that despite his liberal policies of the past 2 years, he accepts and understands that mandate.

Republicans and all Americans who support our efforts to return Government back to the people hope that is a reality, and not just rhetoric.

So, Mr. President, it seems to me the President has spoken. He has every right to. He spoke as most Presidents do, laid out the best that has happened in the administration. That is true whether you are a Republican or Democrat President. The President talked about lobbying. He did not mention how many lobbyists contributed to his legal defense fund. So if we are going to stop and give it all back, maybe we will hear that announcement today that all that money is going to go back, the $1 million raised from lobbyists around the country for his legal defense fund.

We are prepared to work with the President. I must say I did not hear any cheers go up on the other side of the aisle when Mexico was mentioned. I do not know where the Democrats are on Mexico. The President said it is not foreign aid, it is not a loan. Maybe there is something we are not aware of.

But I would say as far as that issue is concerned, we told the President in good faith at this meeting at the White House, which Secretary Rubin has talked about a number of times, that we understood there was a problem and we wanted to help. But we are not going to help on just this side of the aisle. Unless there is some help on the other side of the aisle, forget it; it is not going to happen.

I do not see much support. I did not see any applause last night when the President talked about our special relationship with Mexico and our boundaries and the history of the two countries. But I would say to the President that we are still prepared to work out some arrangement—maybe a different arrangement than has been proposed so far. But it must be bipartisan. It cannot be Republicans in the House and the Senate providing the votes while the Democrats vote the other way.

If that is the case it will never be brought up in the U.S. Senate.

Mr. HOLLINGS. Mr. President, as I passed through the Chamber and heard the distinguished majority leader, I remembered the words of John Mitchell, the former Republican Attorney General. He said, ''Watch what we do, not what we say.''

As I heard the distinguished Republican leader, he asked that we not resort to class warfare. Yet almost in the same breath, he waxed eloquently about the ''Contract With America'' and sank into the very game he indicted. Yes, President Clinton has put forward a proposal to cut middle-class taxes. But let us not forget that an important part of the Republican ''Contract With America'' is none other than a middle-class tax cut. It is ironic, if nothing more, that Republicans would attack the President for something they themselves have done.

Having said that, I feel strongly that the formulation of public policy should not be based on class, or age, or race, or anything of that sort. We are Senators for all the people, in our State and throughout the entire country. Unfortunately, we too often fall into the trap of conducting politics by poll numbers and forgetting that fact.

We need to get out of that habit and start doing what is best for the American people. Otherwise we end up admonishing each other about lobbyists on the one hand, and then accepting contributions from them on the other, as might the distinguished majority leader when he establishes his committee for the Presidency. In the end, we haven't done anything, and the electorate simply grows angrier and angrier.

We should not resort to demeaning the Government. That is what I heard in the majority leader's speech today and in the President's last night. Sometimes I feel like Republicans and Democrats are in a footrace to see who can demean the Government the most, to which I take strong exception. After all, we are never going to work together and be effective, if we are always finding fault and pointing fingers.

Mr. President, let me briefly turn to another subject, namely, the crisis in Mexico. I shall have more to say on this issue at a later time, but let me make a few brief points. It is my opinion that the risk subsidies which the administration is seeking on the $40 billion in loan guarantees would require the Mexican Government to pledge some of its oil revenues. While that may be a good business decision to secure the loan guarantee, my fear is that we will be taking the wherewithal from the Mexican people to recover as a country. In essence, in a year or two, the United States of America will not be seen as a friend, but as an enemy. In