he has ever done to the Communist conspiracy here or abroad.'' He cosponsored the censure resolution that was the beginning of the end of McCarthy.

In 1960 President Kennedy wanted Fulbright as his Secretary of State, but was dissuaded from asking him to serve. Much later Fulbright said he was ''not tempermentally asuited'' to administer ''somebody else's policy—or one I disagreed with.'' Another reason is that it would have removed him from the Senate that he loved.

He opposed the disastrous Bay of Pigs invasion of Cuba and tried vainly to talk President Kennedy out of proceeding with it.

As Chairman of the Senate Foreign Relations Committee, Senator Fulbright led the floor-fight for the Gulf of Tonkin Resolution because President Johnson asked him to, promising him that its effects would be limited and not open-ended. This began Johnson's tragic adventure in Indochina. Soon after, Fulbright realized he had been lied to about what really happened in the Gulf of Tonkin, he had the courage and the manhood to confess that he had been wrong in supporting it. He then convened the so-called, Fulbright Hearings of the Senate Foreign Relations Committee, summoning Dean Rusk and Robert McNamara and all the great war-hawks to educate the American public via television. He began his courageous seven-year crusade against the Vietnam War.

When a colleague asked him if the Senate had the power to enact certain legislation, Fulbright replied, ''We have the power to do any dawn fool thing we want, and we always seem to do it.''

Apropos of Vietnam and our tragic experience there, he liked to quote Kipling:

The end of the fight is a tombstone white
with the name of the late deceased,
And the epitaph drear: ''A fool lies here
who tried to hustle the East''.

He was one of the first to warn that Americans were being taxed to pay for being propagandized by what he called ''The Pentagon Propaganda Machine.''

He had the wisdom to see that in all political systems there is a tendency for public servants to metamorphose into public masters, surfeited with unchecked power and privilege and increasingly overpaid to misgovern. He knew that even free peoples can be led to death and maiming because they do not realize that all wars are against their interests. The tragedy of his life is his discovery that wars, once started, tend to become inundating forces of nature, inexhorable and beyond the control of any of the participants.

He was a tory by birth and breeding, a capitalist by background, conviction and instinct. He used to say, ''I believe that capitalism is, by and large, the best system to bring the highest standard of living to the most people. If, however, a country wants to try socialism or some other system, then they should by all means be permitted to. But I do not believe that we have the moral right, and certainly not the capacity, to prevent their going their own way.''

He was a conservative. He believed as the Founding Fathers did that governments derive their powers from the consent of the governed. He believed in the limitation of executive powers, in checks and balances and in the separation of governmental powers. Constitutionally he was a strict constructionist.

He was a liberal, resonating to the principles of the American Revolution and the inherent right of all peoples to change their governments. His liberalism was in the original sense of the word, derived from the word liberty, in being broad-minded, undogmatic, tolerant—which is what all true conservatives should aspire to be.

He was one of the early champions of the wise investment of American aid to rebuild and strengthen a war-ravaged Europe. Later, he was one of the early opponents of the extravagant support of unpopular and repressive dictatorships abroad—enriching Asian countries merely because they professed to be anti-communist. He fought against the transfer of hundreds of billions of U.S. dollars to the Far East, enriching Asian nations merely because they professed to be anti-communist. He was a reluctant witness to America's rapid decline from being the biggest creditor nation on earth to become the biggest debtor nation—what he called ''a crippled giant.''

Usually courteous to the point of courtliness—especially to the humble—he was sometimes professorial, even condescending to his peers—especially the pompous. Only with difficulty did he suffer fools, He had contempt for politicians and their ''communications'' experts—with government by poll. ''Their purpose seems to consist largely in discovering what people want and feel and dislike,'' he said, ''and then associating themselves with those feelings. * * * This is the opposite of leadership, it is followship, elevated to a science, for the purpose of self-advancement. Even formal policy speeches are determined by the polls. The policy statements that emerge have little to do with the national interest.''

He lived through most of a terrible and turbulent century. In the vastness of time, his nine decades of life were but a narrow valley between the peaks of two eternities. And yet, what a bountiful valley it was.

Sir Christopher Wren's epitaph in London—in the St. Paul's Cathedral he designed—is Si monentum requiris circumspice—''If you would seek his monument, look around you.''

The same epitaph is appropriate for Bill Fulbright.

The United Nations.

The Fulbright scholarships.

The anti-war years during the maelstrom of Vietnam.

The scores of legislative accomplishments.

The wise world-view he sustained thoroughout his long lifetime.

''Our future is not in the stars,'' he used to say, ''but in our own minds and hearts.''

In a sense, his most lasting monument is invisible. It is the thousands of names that are not engraved on The Wall of the Vietnam Memorial in Washington—all the names that are not there because once, long ago, he led the fight against an unwinnable war he knew was contrary to the interests of his country. He was one of the first to diagnose the dangers of the arrogance of unchecked executive power, the price of pride and hubris. He had the common sense to oppose old myths, the vision to appreciate new realities, and a keen feel for the great lesson of history—that the price of empire is always too high.

If half the Congress were composed of Bill Fulbrights, legislative functioning might be extremely difficult. But unless America continues to produce two or three in every generation, America democracy as we know it might indeed perish.

We have lost a great national treasure—perhaps a nonrenewable resource.

Sic transit.

To whom it may concern:

Mr. Clyde E. Pettit, Jr. is well known to me. He is a lawyer and television producer from a prominent family in my state. He is President of KYMA–TV and Vice President of Sun Communications.

Mr. Pettit was on the United States Senate staff during the years I was U.S. Senator from Arkansas and Chairman of the Senate Foreign Relations Committee. He was Special Assistant to the late Senator Carl Hayden, then the President of the U.S. Senate.

Mr. Pettit went to Vietnam as a foreign correspondent and made many distinguished radio broadcasts in 1965 and 1966. He was one of the very first Americans to predict that the United States could not prevail in that tragic undertaking. He wrote a long and prescient letter to me from Saigon that was a substantial influence upon my long opposition to America's adventure in Indochina. Later he wrote the book, ''The Experts''—the definitive chronicle of the Vietnam War. He has had a consistent vision of our proper role in foreign affairs and a continuing concern for U.S. involvement in Asia and the Middle East.

He believes, incidentally, that since more than fifteen years have elapsed since the end of hostilities, it is time for diplomatic, cultural and commercial relations to be re-established. I agree.

Any courtesies extended to him will be appreciated.

Sincerely,

J.W. FULBRIGHT.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is now closed.

BALANCED BUDGET AMENDMENT TO THE CONSTITUTION

The PRESIDING OFFICER. The Chair does apologize to the Senator from West Virginia. Under the previous order, the Senate was to resume consideration of House Joint Resolution 1 at 12:30. We will now do that. The clerk will report.

The legislative clerk read as follows:

A joint resolution (H.J. Res. 1) proposing a balanced budget amendment to the Constitution of the United States.

The Senate resumed consideration of the joint resolution.

Pending:

(1) Feinstein amendment No. 274, in the nature of a substitute.

(2) Feingold amendment No. 291, to provide that receipts and outlays of the Tennessee Valley Authority shall not be counted as receipts or outlays for purposes of this article.

(3) Graham amendment No. 259, to strike the limitation on debt held by the public.

(4) Graham amendment No. 298, to clarify the application of the public debt limit with respect to redemptions from the Social Security Trust Funds.

(5) Kennedy amendment No. 267, to provide that the balanced budget constitutional amendment does not authorize the President to impound lawfully appropriated funds or impose taxes, duties, or fees.

(6) Bumpers modified motion to refer H.J. Res. 1 to the Committee on the Budget with instructions.

(7) Nunn amendment No. 299, to permit waiver of the amendment during an economic emergency.

(8) Nunn amendment No. 300, to limit judicial review.

(9) Levin amendment No. 273, to require Congress to pass legislation specifying the means for implementing and enforcing a balanced budget before the balanced budget amendment is submitted to the States for ratification.

(10) Levin amendment No. 310, to provide that the Vice President of the United States shall be able to cast the deciding vote in the Senate if the whole number of the Senate be equally divided.

(11) Levin amendment No. 311, to provide that the Vice President of the United States shall not be able to cast the deciding vote in the Senate if the whole number of the Senate be equally divided.

(12) Pryor amendment No. 307, to give the people of each State, through their State representatives, the right to tell Congress how they would cut spending in their State in order to balance the budget.

(13) Byrd amendment No. 253, to permit a bill to increase revenue to become law by majority vote.

(14) Byrd amendment No. 254, to establish that the limit on the public debt shall not be increased unless Congress provides by law for such an increase.

(15) Byrd amendment No. 255, to permit the President to submit an alternative budget.

(16) Byrd amendment No. 258, to strike any reliance on estimates.

(17) Byrd amendment No. 259, to provide that any bill to increase revenues shall not become law unless three-fifths of the whole number of each House shall provide by law for such an increase by a rollcall vote.

(18) Byrd amendment No. 252, to permit outlays to exceed receipts by a majority vote.

(19) Kerry motion to commit H.J. Res. 1 to the Committee on the Budget.

(20) Hatch (for Dole) motion to recommit H.J. Res. 1 to the Committee on the Budget with instructions.

(21) Hatch (for Dole) motion to recommit H.J. Res. 1 to the Committee on the Budget with instructions.

(22) Hatch (for Dole) motion to commit H.J. Res. 1 to the Committee on the Judiciary with instructions.

(23) Hatch (for Dole) motion to commit H.J. Res. 1 to the Committee on the Judiciary with instructions.

The PRESIDING OFFICER. Under the previous order, the Senator from West Virginia [Mr. BYRD] is now recognized.

(Mr. HELMS assumed the chair.)

Mr. BYRD. I thank the Chair.

Mr. President, I have discussed this request with the distinguished Senator from Utah. I think, at the moment, he might be constrained to object, because I believe he will want to discuss the request with the majority leader. But I will make it for the RECORD just now and then I will withdraw it.

Mr. President, I ask unanimous consent that my amendments be voted on in the following order: No. 252, 254, 255, 253, and 258, and that amendment No. 289 be withdrawn.

I withdraw that request until such time as the distinguished Senator from Utah can discuss it with the majority leader.

Mr. President, on tomorrow, the Senate will begin voting on the amendments that have been called up and made to qualify under the order that was entered previously. I believe that there are in the nature of 22 or 23 or 24 amendments that are on the list. Among those amendments, I have five amendments. I am not counting the amendment which I anticipate that I will withdraw.

Mr. President, in the main, my amendments go to certain of the flaws, which I have discussed on previous occasions, that I have found objections to in the balanced budget amendment to the Constitution. For example, I have been troubled by the numerous supermajority requirements that are included in the balanced budget amendment.

As I have stated on previous occasions that the United States Constitution and amendments thereto contain nine circumstances in which a two-thirds vote in one or both Houses is necessary to an action or to the making of a quorum. Specifically, these are, one, conviction following impeachment; two, expulsion of a Member; three, override of a Presidential veto; four, advise and consent on treaties; five, proposing constitutional amendments; six, removing the bar of entry to Congress for having engaged in insurrection or rebellion against the United States; and seven, determining the President's ability to discharge his duties following a Vice Presidential declaration of Presidential disability.

In addition, article II, section 1, clause 3, and the 12th amendment, which supersedes the article II provision, require a two-thirds quorum when the election of the President and/or Vice President should be decided by Congress. The actual vote, however, remains a constitutional majority.

In several of these instances, the supermajorities have either never been called into play or have been resorted to only in a few instances and, in some instances, the last occasion in which the particular provision was called into play was decades ago.

For example, in the case of the expulsion of a Member, which requires a supermajority, the last instance in which a Member of Congress was actually expelled was in 1862, when Waldo P. Johnson, Democrat of Missouri, was expelled for having supported the rebellion. Therefore, in that instance, as we can see, it was 133 years ago when that situation requiring a supermajority last arose.

In the case of constitutional amendments, for which supermajorities are required in both Houses and by the States, only 27 amendments have been adopted, and 17 of those have been adopted since the first 10 amendments.

There are six additional amendments that have been submitted to the States, thus having received the requisite two-thirds in both Houses, but which have failed on ratification. The following are those six amendments that did not receive the requisite support of three-fourths of the States:

September 25, 1789, an amendment dealing with the number of Representatives in the House; an amendment adopted during the second session of the 11th Congress relating to acceptance of foreign titles of nobility; an amendment adopted and submitted to the States on March 2, 1861, prohibiting congressional abolition of slavery; June 2, 1926, authorizing the Congress to enact child labor laws; March 22, 1972, the equal rights amendment; and August 22, 1978, relating to the voting rights of D.C. residents.

So, as we can see, the amendment provision under article 5 of the United States Constitution has not been used very frequently.

As to the 14th amendment, namely, the removal of the bar from entry into Congress, the right to remove disabilities imposed by section 3 of the 14th amendment was exercised by Congress, by supermajority votes in both Houses, at different times on behalf of certain persons. In 1872, the disabilities were removed by a blanket act from all persons ''except Senators and Representatives of the 36th and 37th Congresses,'' and 26 years later on June 6, 1898,—in other words, 97 years ago—Congress passed legislation removing the disability imposed by section 3.

The authority of Congress to determine Presidential disability under section 4 of the 25th amendment has never been exercised since the amendment's ratification in February, 1967. It should be noted, however, that President Reagan did notify the Speaker of the House and the Senate President pro tempore of his temporary disability on July 13, 1985. The disability, due to anesthesia administered during surgery, was subsequently terminated later the same day.

What I have attempted to show here, Mr. President, is the dearth of instances in which many of these supermajorities, that are included in the original Constitution and the amendments thereto, have actually been called into play. And as I say in some instances decades have passed since these provisions last were activated. These supermajorities, however, deal with the structure of our form of government, or with the protection of individual rights.

But here we come now with this amendment to the Constitution to balance the budget which requires supermajorities in enforcing fiscal policy—for example, in section 1, section 2, section 4, and section 5. Included in those supermajorities is the phraseology of section 4 which refers to approval by ''a majority of the whole number of each House,'' and of section 5 which does likewise.

Mr. President, the requirement of approval by a majority of the whole number of each House can very well in some instances require more votes than a two-thirds vote depending upon how many Senators or House Members are present and voting.

The instances in the original Constitution and the amendments thereto that require two-thirds majorities, require a two-thirds majority of those Senators and House Members ''present and voting'', except in the instance of treaties and convictions on impeachments. I seem to remember that in

those two instances a two-thirds majority of the Senators ''present'' are required—not two-thirds of the Senators who are chosen and sworn, not two-thirds of those Senators who are voting, but two-thirds of the Senators ''present''.

May I inquire of the Chair if I am correct?

The PRESIDING OFFICER. The Chair informs the Senator from West Virginia he is correct.

Mr. BYRD. I thank the Chair.

But, now, this balanced budget amendment, in section 1, which deals with balancing outlays and receipts, any waiver requires that ''three-fifths of the whole number of each House of Congress shall provide by law for a specific excess of outlays over receipts by a rollcall vote.''

Section 2, the provision whereby the limit on the debt may be increased, ''three-fifths of the whole number of each House'' is required to waive that stricture.

Section 4: ''No bill to increase revenue shall become law unless approved by a majority of the whole number of each House by a rollcall vote.''

Well, as I have already indicated, depending upon how many Members are present and voting in each House, that requirement could well require more than a two-thirds or three-fifths majority of those present and voting.

And the same thing obtains with respect to section 5 of the balanced budget amendment. Any resolution allowing for the provisions of the article to ''be waived for any fiscal year in which the United States is engaged in military conflict which causes an imminent and serious military threat to national security,'' must be adopted by a majority of the whole number of each House, which, in the case of the Senate, means at least 51—and that requirement may very well be more than two-thirds or more than three-fifths of the Senators who are present and voting.

These are very difficult strictures to overcome—these supermajority requirements that are being written into the Constitution by this balanced budget amendment—more constrictive than any of the supermajorities written into the original constitution and/or amendments thereto.

Mr. President, let us see what the authors of the Federalist Papers have to say about supermajorities. Hamilton in the Federalist No. 75 said and I quote:

> . . . all provisions which require more than the majority of any body to its resolutions have a direct tendency to embarrass the operations of the government and an indirect one to subject the sense of the majority to that of the minority.

In other words, they create a minority veto.

I will read Hamilton's statement in Federalist No. 75 again.

> . . . all provisions which require more than the majority of any body to its resolutions have a direct tendency to embarrass the operations of the government and an indirect one to subject the sense of the majority to that of the minority.

Hamilton, in the Federalist No. 22 says this, about giving the minority a negative on the majority:

> To give a minority a negative upon the majority (which is always the case where more than a majority is requisite to a decision) . . .

Let me read that again because it goes to the provisions that require a majority of the whole number of each body, that are to be found in sections 4 and 5 of the balanced budget amendment.

> To give a minority a negative upon the majority (which is always the case where more than a majority is requisite to a decision) is, in its tendency, to subject the sense of the greater number to that of the lesser number.

* * * * *

> In those emergencies of a nation in which the goodness or badness, the weakness or strength, of its government is of the greatest importance, there is commonly a necessity for action. The public business must in some way or other go forward. If a pertinacious minority can control the opinion of a majority, respecting the best mode of conducting it, the majority in order that something may be done must conform to the views of the minority; and thus the sense of the smaller number will overrule that of the greater and give a tone to the national proceedings. Hence, tedious delays; continual negotiation and intrigue; contemptible compromises of the public good. And yet, in such a system it is even happy when such compromises can take place: for upon some occasions things will not admit of accommodation; and then the measures of government must be injuriously suspended, or fatally defeated. It is often by the impracticability of obtaining the concurrence of the necessary number of votes kept in a state of inaction. Its situation must always savor of weakness, sometimes border upon anarchy.

Mr. President, you see we have to go through these Perils of Pauline in every fiscal year.

The Northwest Ordinance was being debated in New York City at the very same time that the Constitutional Convention was meeting in Philadelphia. On July 13, 1787, the Northwest Ordinance was adopted. And that ordinance is one of the most important documents in the history of this country, and it rates—not as high as the Constitution and the Declaration of Independence, but it may rank a very close third. It may be instructive to note that the Northwest Ordinance required only simple majorities in the votes of the council, which would correspond with the Senate in the Federal Constitution, and in the votes of the representatives who were to be elected.

It also should be remembered that when and where these supermajorities are required—and I have listed four instances here in the balanced budget amendment in which supermajorities would be required—they promote unreliability and unpredictability. People cannot count on, from year to year, just what is going to happen, and how their lives are to be affected, because we are talking about balancing the budget in every fiscal year.

> Total outlays for any fiscal year shall not exceed receipts for that fiscal year, unless three-fifths of the whole number of each House of Congress shall provide by law for a specific excess of outlays over receipts. . . .

Hence, the people are to be left without assurance as to whether or not their Government is going to be constant. These supermajorities promote inconstancy. Let us see what Madison, in the Federalist No. 62, has to say about such.

> What prudent merchant will hazard his fortunes in any new branch of commerce when he knows not but that his plans may be rendered unlawful before they can be executed? What farmer or manufacturer will lay himself out for the encouragement given to any particular cultivation or establishment, when he can have no assurance that his preparatory labors and advances will not render him a victim to an inconstant government? In a word, no great improvement or laudable enterprise can go forward which requires the auspices of a steady system of national policy.

Madison continues:

> But the most deplorable effect of all is that diminution of attachment and reverence which steals into the hearts of the people towards a political system which betrays so many marks of infirmity, and disappoints so many of their flattering hopes. No government, any more than an individual, will long be respected without being truly respectable; nor be truly respectable without possessing a certain portion of order and stability.

Daniel Webster said, ''Let us develop the resources of our land, call forth its powers, build up its institutions, promote all its great interests, and see whether we also, in our day and generation, may perform something worthy to be remembered.''

Webster was talking about the development of the country, and about investing in the Nation, in its people, in its highways, its railroads, its waterways. But such investment needs to be on a multi-year basis—it requires reliability, predictability, and consistency in accordance with long-term planning and design. Such investment planning must not be subjected to the fits and starts that will result from annual supermajority requirements to balance the Federal budget.

Madison, in 62, is talking about this inconstancy and unpredictability in Government policy that would be brought about by this spate of new and very difficult supermajorities required in the implementation of fiscal policy.

> What prudent merchant will hazard his fortunes in any new branch of commerce, when he knows not but that his plans may be rendered unlawful before they can be executed? What farmer or manufacturer will lay himself out for the encouragement given to any particular cultivation or establishment, when he can have no assurance that his preparatory labors and advances will not render him a victim to an inconstant government? In a word no great improvement or laudable enterprise, can go forward, which requires the auspices of a steady system of national policy.

There are also those who are concerned, like myself, with respect to section 5, which deals with military conflicts.

Section 5. The Congress may waive the provisions of this article for any fiscal year in which a declaration of war is in effect. The provisions of this article may be waived for any fiscal year in which the United States is engaged in military conflict which causes an imminent and serious military threat to national security and is so declared by a joint resolution, adopted by a majority of the whole number of each House, which becomes law.

Let us see what Hamilton has to say in the Federalist No. 30.

How can it undertake or execute any liberal or enlarged plans of public good?

Let us attend to what would be the effects of this situation in the very first war in which we should happen to be engaged. We will presume, for argument's sake, that the revenue arising from the impost duties answers the purposes of a provision for the public debt and of a peace establishment for the Union. Thus circumstanced, a war breaks out. What would be the probable conduct of the government in such an emergency? Taught by experience that proper dependence could not be placed on the success of requisitions, unable by its own authority to lay hold of fresh resources, and urged by considerations of national danger, would it not be driven to the expedient of diverting the funds already appropriated from their proper objects to the defense of the State?

Mr. President, note that Hamilton refers to ''the expedient of diverting the funds already appropriated from their proper objects to the defense of the State?''

I have heard Senators who are supporters of this amendment say that, if we get into a military exigency we will just cut other programs, we will divert funds from other programs—as though we have plenty of time during a military exigency to go through all this examination of other programs and projects and take our pencils and add up and subtract all those things. We do not have time for that during an emergency involving our military security.

Hamilton is here speaking of diverting funds already appropriated from their proper objects to the defense of the state.

It is not easy to see how a step of this kind could be avoided; and if it should be taken, it is evident that it would prove the destruction of public credit at the very moment that it was becoming essential to the public safety.

* * * * *

In the modern system of war, nations the most wealthy are obliged to have recourse to large loans.

But who would lend to a government that prefaced its overtures for borrowing by an act which demonstrated that no reliance could be placed on the steadiness of its measures for paying?

Section 2 deals with the limit on the debt of the United States:

The limit on the debt of the United States held by the public shall not be increased unless three-fourths of the whole number of each house shall provide by law for such an increase by a rollcall vote.

Hamilton says:

But who would lend to a government that prefaced its overtures for borrowing by an act which demonstrated that no reliance could be placed on the steadiness of its measures for paying? The loans it might be able to procure, would be as limited in their extent as burthensome in their conditions. They would be made upon the same principles that usurers commonly lend to bankrupt and fraudulent debtors—with a sparing hand and at enormous premiums.

Then Hamilton in 22 goes on to say this:

Suppose, for example, we were engaged in a war, in conjunction with one foreign nation against another. Suppose the necessity of our situation demanded peace, and the interest or ambition of our ally led him to seek the prosecution of the war, with views that might justify us in making separate terms. In such a state of things, this ally of ours would evidently find it much easier by his bribes and intrigues to tie up the hands of government from making peace, where two-thirds of all the votes were requisite to that object, then where a simple majority would suffice. In the first case he would have to corrupt a smaller number; in the last, a greater number. Upon the same principle, it would be much easier for a foreign power with which we were at war, to perplex our councils and embarrass our exertions. In a commercial view, we may be subjected to similar inconveniences.

We have discussed section 5 of this balanced budget amendment heretofore. It is very obvious that, when it comes to dealing with an imminent military threat to the Nation's security, the Congress may be hard pressed to secure a majority of the whole number of each House in order to lift this burdensome restriction of requiring that outlays not exceed receipts in a given fiscal year.

Let us see what Hamilton, in the Federalist No. 30, says that might have some bearing upon this situation.

It has been already observed that the federal government ought to possess the power of providing for the support of the national forces; in which proposition was intended to be included the expense of raising troops, of building and equipping fleets, and all other expenses in any wise connected with military arrangements and operations. But these are not the only objects to which the jurisdiction of the Union in respect to revenue must necessarily be empowered to extend. It must embrace a provision for the support of the national civil list; for the payment of the national debts contracted or that may be contracted; and, in general, for all those matters which will call for disbursements out of the national treasury. The conclusion is that there must be interwoven in the frame of the government a general power of taxation, in one shape or another.

I have heard certain Republican Senators recently on this floor state that they will never vote for a tax increase. Yet, Mr. President, it may be absolutely necessary to have a tax increase, if the Nation is faced with a military exigency such as that contemplated in section 5 of the balanced budget amendment, and increases in taxes may also be necessary to balance the budget, or to pay for other important objects that are within the jurisdiction of the Congress and the Union.

Hamilton, in the Federalist No. 30, goes on to say:

What substitute can there be imagined for this *ignis fatuus*—

That is a will-o'-the-wisp or jack-o-lantern.

What substitute can there be imagined for this ignis fatuus in finance, but that of permitting the national government to raise its own revenues by the ordinary methods of taxation, authorized in every well-ordered constitution of civil government?

Mr. President, we are not going to have ''ordinary methods of taxation'' if this balanced budget amendment is approved because, in order to increase revenues, ''a majority of the whole number of each house'' will be required to do so. And in some instances, as I have already demonstrated, that may amount to more than a two-thirds vote. It may actually amount to more than two-thirds or three-fifths of the total membership in a given situation.

Continuing with Hamilton's Federalist No. 30:

Ingenious men may declaim with plausibility on any subject; but no human ingenuity can point out any other expedient to rescue us from the inconveniences and embarrassments, naturally resulting from defective supplies of the public treasury.

How is it possible that a government half supplied and always necessitous, can fulfill the purposes of its institution—can provide for the security of—advance the prosperity—or support the reputation of the commonwealth? How can it ever possess either energy or stability, dignity or credit, confidence at home or respectability abroad?

Mr. President, this new amendment with its supermajorities will makes this Nation musclebound. It will put the Nation in a straitjacket when it comes to the necessity of increasing revenues, when it comes to the necessity of waving the requirements that outlays not exceed receipts.

Let us look at the plausibility of these new supermajorities which fly in the face of what the Framers contemplated. I call attention to the fact that, under the Articles of Confederation agreed to on November 15, 1777, supermajorities were required in great number—one of the reasons why the Articles of Confederation did not work well. I shall read from article 10 of the Articles of Confederation.

The united states in congress assembled shall never engage in a war, nor grant letters of marque and reprisal in time of peace, nor enter into any treaties or alliances, nor coin money, nor regulate the value thereof, nor ascertain the sums and expences necessary for the defence and welfare of the united states, or any of them, nor emit bills, nor borrow money on the credit of the united states, nor appropriate money, nor agree upon the number of vessels of war, to be built or purchased, or the number of land or sea forces to be raised, nor appoint a commander-in-chief of the army or navy, unless nine states assent to the same; nor shall a question on any other point, except for adjourning from day to day be determined, unless by the votes of a majority of the united states in congress assembled.

Well, there were 13 States. Nine votes would mean a majority of the whole number. But in the case of ascertaining the sums and expenses necessary for the defense and welfare of the United States or to borrow money on the credit of the United States or to appropriate money or to agree upon the number of vessels at war to be built or

purchased, or to agree upon the number of land or sea forces to be raised, a supermajority of 9 States out of the 13 would be required in each of those instances. Hence, the Articles of Confederation were filled with requirements for supermajorities. As I say, that was one of the primary reasons why the Articles of Confederation did not work.

So, the Framers of our Constitution, some of whom had served in the Congress under the Articles of Confederation, saw the bane of those supermajorities and were determined that the new Constitution would not contain them. Therefore, only a majority is required to exercise the great policy powers that are granted in article I, section 8 and in section 9 of the Constitution.

I offered an amendment last week that would have eliminated the problem with section 5, insofar as a majority of the whole number of each House is required to lift the restrictions of the balanced budget amendment in a time of serious conflict, the security of the Nation being at stake. My amendment was tabled by a vote of 55 to 41. The language of section 5 remains.

I talked about the possibility of a Vice President not being able to cast a vote that would count in a situation arising under section 5 of the balanced budget amendment, because at least 51 Senators would be required. At least 51 Senators would be required to lift the strictures imposed by the balanced budget amendment. In the event of a 50–50, or a 48–48, or a 47–47 vote—a vote of the Vice President could not break the tie to make a simple majority. A minimum of 51 Members of the Senate must vote to lift such restrictions in a time of danger to the Nation.

Here is what Hamilton said in Federalist No. 68:

> The appointment of an extraordinary person, as Vice President, has been objected to as superfluous, if not mischievous.
>
> . . . two considerations seem to justify the ideas of the convention in this respect. One is, that to secure at all times the possibility of a definitive resolution of the body, it is necessary that the President should have only a casting vote.

There are other dangers in the balanced budget amendment that I have cited from time to time. I think it is pregnant with an invitation to the judiciary to intervene. There is nothing in the balanced budget amendment that either forbids or invites the judiciary to intervene in the enforcement of the balanced budget amendment. But I think that circumstances themselves would result in the intervention by the judiciary when it came to cutting programs, increasing taxes, deciding other problems and cases and controversies that might arise under this new article and even outside the new article.

I read from Hamilton, Federalist No. 78:

> The executive not only dispenses the honors, but holds the sword of the community. The legislature not only commands the purse, but prescribes the rules by which the duties and rights of every citizen are to be regulated. The judiciary, on the contrary, has no influence over either the sword or the purse. . . . It proves incontestably that the judiciary is beyond comparison the weakest of the three departments of power.
>
> . . . there is no liberty, if the power of judging be not separated from the legislative and executive powers.

Mr. President, when this new amendment is adopted and later ratified—if it is adopted and ratified—it will stand Hamilton's words on their head. The judiciary will then become the strongest of the three departments of power, rather than the weakest, as Hamilton had said in the Federalist No. 78.

No one can say, Mr. President, with absolute certitude as to what will happen if and when this amendment is made a part of the Constitution. Nobody can say with absolute certainty. But we have to explore these possibilities, and I fear, with great alarm, the possibility, nay the probability, that the power of the purse will be shifted to the executive; and when cases or controversies arise, the courts will intervene and we will have situations in which the courts, made up of unelected judges with life tenures, will be telling the Congress when to tax, where to tax, how much to tax, when to cut programs, what programs to cut, and by how much, and it will be a sad day when our country awakens to the fact that the judiciary is the strongest of the three branches. Even if there were a way to exclude the judiciary—and the Johnston amendment was an attempt to do so, but it was rejected—the legislative branch would still be weakened.

Mr. NUNN has an amendment which will be voted on. I will support the Nunn amendment, as I supported the Johnston amendment. But I do not concede that that amendment will eliminate all prospects of the judicial branch's entering into the political thicket of decisions with respect to this new article, the balanced budget amendment.

What did Madison say about the power of the purse in Federalist No. 58? This is what he said:

> The House of Representatives cannot only refuse, but they alone can propose the supplies requisite for the support of Government. They, in a word, hold the purse; that powerful instrument by which we behold, in the history of the British Constitution, an infant and humble representation of the people, gradually enlarging the sphere of its activity and importance, and finally reducing, as far as it seems to have wished, all the overgrown prerogatives of the other branches of the Government. This power over the purse may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people, for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure.

In the Federalist No. 48, by Madison, we are told,

> . . . the legislative department alone has access to the pockets of the people.

All this is going to be changed, Mr. President, once this balanced budget amendment goes into the Constitution. If it ever becomes a part of the Constitution, much of what Madison and Hamilton have said in the Federalist Papers will have been thrust aside by today's would-be Framers. This power over the purse may, in fact, be shifted to the executive and judicial branches of Government and away from the people's representatives in Congress.

There is also a danger of too-frequent amendments to the Constitution. Hamilton warned of this in Federalist No. 49.

> . . . as every appeal to the people would carry an implication of some defect in the Government, frequent appeals would, in great measure, deprive the Government of that veneration, which time bestows on everything, and without which perhaps the wisest and freest governments would not possess the requisite stability.

So here we are, we are about to appeal to the people again by submitting to them this balanced budget constitutional amendment. The fact that the Senate has taken 30 days to deliberate on this amendment, points, Mr. President, to the utility of the Senate. This balanced budget amendment was adopted by the other body in 2 days—2 days! Including tomorrow, the balanced budget amendment will have been before the Senate for a total of 30 days. During those 30 days, Senators have debated at considerable length the entire new article, and they have found numerous flaws which, upon careful probing, were brought to light. This did not happen in the other body. It happened here because this is the U.S. Senate, where there is unlimited debate, which can only be shut off by a cloture motion or by a unanimous-consent agreement entered into by all Senators.

I believe the constitutional Framers would have been proud of the Senate in this instance. I do not know how proud they would be of the Senate, once the rollcall vote is taken tomorrow evening upon the final disposition of this glittering gewgaw of glorified garbage. That remains to be seen. I hope they will be proud of it, as they look down from above, because I hope that the amendment will be defeated.

Madison spoke of the utility of the Senate in Federalist No. 62.

> The necessity of a senate is not less indicated by the propensity of all single and numerous assemblies to yield to the impulse of sudden and violent passions, and to be seduced by factious leaders into intemperate and pernicious resolutions.

What Madison said in the Federalist No. 62 reflects exactly what took place in the House of Representatives—passage after only 2 days of debate on this amendment. Let me read Madison's words again from the Federalist No. 62.

> The necessity of a senate is not less indicated by the propensity of all single and numerous assemblies, to yield to the impulse of sudden and violent passions, and to be seduced by factious leaders, into intemperate and pernicious resolutions. . . . The mutability in the public councils, arising from a rapid succession of new members, however qualified they may be, points out, in the strongest manner, the necessity of some stable institution in the government.

And in Federalist No. 63, Madison continues to write about the utility of having a Senate. I quote:

. . . so there are particular moments in public affairs when the people, stimulated by some irregular passion, or some illicit advantage, or misled by the artful misrepresentations of interested men, may call for measures which they themselves will afterwards be the most ready to lament and condemn. In these critical moments, how salutary will be the interference of some temperate and respectable body of citizens, in order to check the misguided career and to suspend the blow meditated by the people against themselves, until reason, justice, and truth can regain their authority over the public mind? What bitter anguish would not the people of Athens have often escaped if their government had contained so provident a safeguard against the tyranny of their own passions? Popular liberty might then have escaped the indelible reproach of decreeing to the same citizens the hemlock on one day and statues on the next.

Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Chair is advised the Senator has 9 minutes remaining.

Mr. BYRD. I thank the Chair.

Mr. President, that Montesquieu or Locke or Washington or Madison or Hamilton could have believed in the fooleries contained in this constitutional amendment on the balanced budget cannot be suspected.

I should think that the amendment might very well be pronounced as the ''gunpowder plot'' against the Constitution. The Gunpowder Plot was that conspiracy which was discovered and foiled when Guy Fawkes and a group of Englishmen intended to blow up the English Parliament on November 5, 1605, the day that King James I was to address it.

Fortunately the plot was foiled. Whether or not this ''gunpowder plot'' against the Constitution will be foiled will be determined by tomorrow's vote, but I will cast one vote to help in its demise.

Mr. President, I think that about the best that can be said of the amendment is that it is a partisan, political amendment. In it we can see the ''cloven foot'' as to the intentions of most of those in the Senate who support it. It is a political amendment. It is supported by a political party, as witness the fact that all but one of the Republican Senators will very likely vote for it. Political ads have been run throughout the Nation by the Republican Party in support of it. It is a partisan amendment. That is what we are about to nail into the Constitution.

Washington, in his farewell address, warned us against putting in the place of

The delegated will of the nation the will of party, often a small but artful and enterprising minority of the community; and, according to the alternate, triumphs of different parties, to make the public administration the mirror of the ill concerted and incongruous projects of faction . . . they are likely, in the course of time and things to become potent engines, by which cunning, ambitious, and unprincipled men, will be enable to subvert the power of the people, and to usurp for themselves the reigns of government; destroying afterwards the very engines which have lifted them to unjust dominion.

Mr. President, the proponents of this amendment in the Congress are really living in a fool's paradise. They are living in a state of illusive bliss, suspended in the limbo of hypocrisy, doublespeak, double-shuffle, vanity, and nonsense. Milton spoke about the limbo of vanity in ''Paradise Lost.'' Dante wrote in his ''Divine Comedy'' that limbo was the first circle of Hell.

Mr. President, let me close by remembering some words from the ''Rubaiyat'' written by Omar Khayyam, a Persian poet of the 12th century:

The Moving Finger writes; and, having writ,
Moves on: nor all your Piety nor Wit
Shall lure it back to cancel half a Line,
Nor all your Tears wash out a Word of it.

Mr. President, I ask unanimous consent to have printed in the RECORD an editorial from the New York Times of today, February 27, titled ''Unbalanced Amendment,'' together with letters from the Secretaries of Defense; Housing and Urban Development; Education; Veterans Affairs; Health and Human Services; and Justice; and various and sundry other articles and materials that are germane to the subject of the balanced budget amendment.

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

EXECUTIVE OFFICE OF THE PRESIDENT, COUNCIL OF ECONOMIC ADVISERS,
Washington, DC, February 23, 1995.

Hon. ROBERT C. BYRD,
U.S. Senate,
Washington, DC.

DEAR SENATOR BYRD: The Council of Economic Advisers is strongly opposed to a balanced budget amendment to the Constitution. Although continued progress on deficit reduction is sound economics, a balanced budget amendment is not. As the attached opinion piece which appeared in The Washington Post two weeks ago indicates, such an amendment would eliminate the ability of the Federal budget to moderate the cyclical ups and downs of business cycles which are normal occurrences in a market economy. Indeed, a balanced budget amendment would actually require budgetary policy to aggravate the business cycle, by requiring Congress to increase taxes or cut spending whenever the economy slowed in order to avoid an increase in the deficit. Statistical analysis performed at the Council and at the Department of the Treasury indicates that the amendment would cause recessions to be substantially deeper.

With fiscal policy enjoined by a balanced budget amendment to be destabilizing rather than stabilizing, sole responsibility for moderating the business cycle would rest with the Federal Reserve. As the attached analysis indicates, even a well-intentioned and prescient Federal Reserve would not be able to play this role as well on its own as it can working in tandem with the automatic fiscal stabilizers. Moreover, in order to fulfill this responsibility, the Federal Reserve might well have to foster greater cyclical variability in interest rates, something which could have a destabilizing effect on financial markets. Finally, there is no reason to assume that Federal Reserve decisions will be influenced by the single goal of stabilizing output and employment levels. Historically, concern about inflation has been the major determinant of Federal Reserve actions. Indeed, some proponents of the balanced budget amendment have also proposed legislation that would require the Federal Reserve's only policy target to be price stability. If such legislation were also to become law, neither monetary nor fiscal policy would be available to limit the ups and downs of the business cycle and their attendant human and economic costs.

Deficit reduction can be achieved even without a balanced budget amendment. This Administration, working with the Democrats of the 103rd Congress, dramatically reduced the deficits for FY1994 and FY1995, and the budget we have just presented for FY1996 makes additional progress. If it were not for the interest owed on the debt accumulated during the 1981–92 period, the federal budget would be in balance by 1996 and headed toward surplus thereafter. Based on our projections, the Clinton Administration will be the first since the Johnson Administration to run a non-interest budget surplus for a cycle of four fiscal years. Moreover, net federal debt, after tripling during the 1980s, has now stabilized relative to the size of the economy, and the deficit is projected to decline relative to the size of the economy for at least the next ten years.

A balanced budget amendment offers only a promise to reduce the deficit—it does not reduce the deficit by a single penny. And it has the potential to cause serious economic harm. I urge you to vote against it for the economic well-being of the Nation.

Sincerely yours,

LAURA D'ANDREA TYSON,
Chair.
MARTIN N. BAILY,
Member-Nominee.
JOSEPH E. STIGLITZ,
Member.

[From the Washington Post, Feb. 7, 1995]

IT'S A RECIPE FOR ECONOMIC CHAOS

(By Laura D'Andrea Tyson)

Continued progress on reducing the deficit is sound economic policy, but a constitutional amendment requiring annual balance of the federal budget is not. The fallacy in the logic behind the balanced budget amendment begins with the premise that the size of the federal deficit is the result of conscious policy decisions. This is only partly the case. The pace of economic activity also plays an important role in determining the deficit. An economic slowdown automatically depresses tax revenues and increases government spending on such programs as unemployment compensation, food stamps and welfare.

Such temporary increases in the deficit act as ''automatic stabilizers,'' offsetting some of the reduction in the purchasing power of the private sector and cushioning the economy's slide. Moreover, they do so quickly and automatically, without the need for lengthy debates about the state of the economy and the appropriate policy response.

By the same token, when the economy strengthens again, the automatic stabilizers work in the other direction: tax revenues rise, spending for unemployment benefits and other social safety net programs falls, and the deficit narrows.

A balanced budget amendment would throw the automatic stabilizers into reverse. Congress would be required to raise tax rates or cut spending programs in the face of a recession to counteract temporary increases in

the deficit. Rather than moderating the normal ups and downs of the business cycle, fiscal policy would be required to aggravate them.

A simple example from recent economic history should serve as a cautionary tale. In fiscal year 1991, the economy's unanticipated slowdown caused actual government spending for unemployment insurance and related items to exceed the budgeted amount by $6 billion, and actual revenues to fall short of the budgeted amount by some $67 billion. In a balanced-budget world, Congress would have been required to offset the resulting shift of more than $70 billion in the deficit by a combination of tax hikes and spending cuts that by themselves would have sharply worsened the economic downturn—resulting in an additional loss of 1¼ percent of GDP and 750,000 jobs.

The version of the amendment passed by the House has no special ''escape clause'' for recessions—only the general provision that the budget could be in deficit if three-fifths of both the House and Senate agree. This is a far cry from an automatic stabilizer. It is easy to imagine a well-organized minority in either House of Congress holding this provision hostage to its particular political agenda.

In a balanced-budget world—with fiscal policy enjoined to destabilize rather than stabilize the economy—all responsibility for counteracting the economic effects of the business cycle would be placed at the doorstep of the Federal Reserve. The Fed could attempt to meet this increased responsibility by pushing interest rates down more aggressively when the economy softens and raising them more vigorously when it strengthens. But there are several reasons why the Fed would not be able to moderate the ups and downs of the business cycle on its own as well as it can with the help of the automatic fiscal stabilizers.

First, monetary policy affects the economy indirectly and with notoriously long lags, making it difficult to time the desired effects with precision. By contrast, the automatic stabilizers of fiscal policy swing into action as soon as the economy begins to slow, often well before the Federal Reserve even recognizes the need for compensating action.

Second, the Fed could become handcuffed in the event of a major recession—its scope for action limited by the fact that it can push short-term interest rates no lower than zero, and probably not even that low. By historical standards, the spread between today's short rates of 6 percent and zero leaves uncomfortably little room for maneuver. Between the middle of 1990 and the end of 1992, the Fed reduced the short-term interest rate it controls by a cumulative total of 5¼ percentage points. Even so, the economy sank into a recession from which it has only recently fully recovered—a recession whose severity was moderated by the very automatic stabilizers of fiscal policy the balanced budget amendment would destroy.

Third, the more aggressive actions required of the Fed to limit the increase in the variability of output and employment could actually increase the volatility of financial markets—an ironic possibility, given that many of the amendment's proponents may well believe they are promoting financial stability.

Finally, a balanced budget amendment would create an automatic and undesirable link between interest rates and fiscal policy. An unanticipated increase in interest rates would boost federal interest expense and thus the deficit. The balanced budget amendments under consideration would require that such an unanticipated increase in the deficit be offset within the fiscal year.

In other words, independent monetary policy decisions by the Federal Reserve would require immediate and painful budgetary adjustments. Where would they come from? Not from interest payments and not, with such short notice, from entitlement programs. Rather they would have to come from either a tax increase or from cuts or possible shutdowns in discretionary programs whose funds had not yet been obligated. This is not a sensible way to establish budgetary priorities or maintain the healthy interaction and independence of monetary and fiscal policy.

One of the great discoveries of modern economics is the role that fiscal policy can play in moderating the business cycle. Few if any members of the Senate about to vote on a balanced budget amendment experienced the tragic human costs of the Great Depression, costs made more severe by President Herbert Hoover's well intentioned but misguided efforts to balance the budget. Unfortunately the huge deficits inherited from the last decade of fiscal profligacy have rendered discretionary changes in fiscal policy in response to the business cycle all but impossible. Now many of those responsible for the massive run-up in debt during the 1980s are leading the charge to eliminate the automatic stabilizers as well by voting for a balanced budget amendment.

Instead of undermining the government's ability to moderate the economy's cyclical fluctuations by passing such an amendment, why not simply make the hard choices and cast the courageous votes required to reduce the deficit—the kind of hard choices and courageous votes delivered by members of the 103rd Congress when they passed the administration's $505 billion deficit reduction package?

THE SECRETARY OF DEFENSE,
Washington, DC, January 11, 1995.

Hon. ROBERT C. BYRD,
Committee on Appropriations,
U.S. Senate, Washington, DC.

DEAR SENATOR: Thank you for your recent letter. I join you in looking forward to working together closely on crucial matters affecting our nation's future security.

Your letter asked for my assessment of the probable and possible consequences on America's defense posture of an amendment to the Constitution requiring a balanced federal budget. Such an assessment is detailed in the enclosed statement, which was presented at a recent hearing on this subject by John Hamre, Under Secretary of Defense (Comptroller). This statement is an update of my presentation to your committee last February 15, and I strongly support its warnings. With the absence of any realistic implementation details in the amendment, [I fear that huge defense reductions are likely under a balanced budget amendment, which would fundamentally change the character of America's military posture, make our new strategy unsupportable, call into question our ability to fulfill U.S. commitments to our allies and to protect our interests worldwide, and undermine U.S. global leadership.]

I thank you for this opportunity to inject defense concerns into the debate on this critical issue facing our nation.

Sincerely,

WILLIAM J. PERRY.

STATEMENT OF UNDER SECRETARY OF DEFENSE (COMPTROLLER) JOHN J. HAMRE IN CONNECTION WITH THE BALANCED BUDGET AMENDMENT, HOUSE JUDICIARY COMMITTEE, JANUARY 10, 1995

Mr. Chairman, members of the Committee, thank you for the opportunity to appear before you today to discuss the Balanced Budget Amendment, and the likely impact that it would have on America's defense posture.

The Balanced Budget Amendment (BBA) could severely jeopardize America's national security, and that is one of the major reasons for the Administration's opposition to it. Unless legislatively exempted from reductions, defense spending could end up being the primary billpayer to make federal budgets balance, and that would fundamentally undermine the security of our nation.

If the Balanced Budget Amendment were adopted, America's defense posture would be vulnerable to two different problems: the impact on defense to reach a zero deficit and the effect on defense of the annual budget process under the BBA.

IMPACT ON DEFENSE TO GET TO A ZERO DEFICIT

(Chart 1) To illustrate the impact of getting to a zero deficit, several assumptions have to be made about the final date and provisions of the BBA. Let us assume that the year of BBA implementation if 2002, and make calculations based on the most recent deficit projections by the Congressional Budget Office. Balancing the budget on a phased basis—14 percent year in 1996 through 2002—would require a total of $1,040 billion in spending cuts and/or revenue increases.

Exactly how much the Department of Defense (DoD) would have to contribute to achieving a zero deficit would depend on how much revenue would be increased and whether entitlements would be cut. Under the worst case scenario, there would be no increase in revenue and no cuts in the entitlement programs. This means the budget would have to be balanced by cuts in discretionary spending, of which national defense represents about one half. The best case scenario assumes half of the deficit would be offset by increases in revenue and the other half proportionately to spending for entitlements and domestic and defense discretionary programs.

(Chart 2) Not reproducible in the RECORD.

(Chart 3) For national defense, the best case scenario would have a serious impact on national security. The worst case would be a disaster. Achieving these totals would entail subtantial reductions to defense people and programs, which are already downsized to the minimum acceptable level deemed necessary in the Bottom-Up Review. Our forces would become hollow and we would have to give up our quality of life initiatives such as adequate compensation for military personnel, child care programs, decent barracks and family housing and other programs that provide a sense of community and support for military families. We would have to stop the modernization and recapitalization, which is needed and planned in our current five-year budget. We would have to cut back our emphasis on science and technology and technology reinvestment programs, and thereby risk the technological edge that has always given our forces an advantage over our adversaries.

Reductions such as these would fundamentally change the character of America's military posture, make our new strategy unsupportable, call into question our ability to fulfill U.S. commitments to our allies and to protect our interests worldwide, and undermine America's global leadership.

THE ANNUAL BUDGET PROCESS UNDER THE BBA

Let me now turn to the second problem: Life under a balanced budget amendment.

What about the effect on defense of the annual budget process under the Balanced Budget Amendment? The BBA annual budget process could routinely end up removing from our elected political leaders the decision about what level of defense spending is prudent. America's defense preparedness could get determined by economic shifts, cost growth in entitlements, and other nondefense factors. Even if threats to America's

global interests were increasing or our forces deteriorating, the BBA could lead to deep defense cuts.

The fact that these consequences could be avoided with ⅗ approval of each house of Congress is scant reassurance. Preservation of an adequate defense posture would become dependent on exceptional political efforts. The BBA process would be heavily skewed in favor of cutting defense to compensate for whatever was escalating elsewhere in the budget. Even when a ⅗ majority minus one in either house believed that BBA cuts were unjustified, the minority view would prevail. Not exactly ideal for the world's most powerful democracy and best hope for future peace and stability.

The BBA would threaten frequent interruptions to the many long-term processes that are essential to maintaining a prudent defense posture. The quality and morale of our people must be continually nurtured, and would be devastated by rapid and deep cuts in end strength. Our military and civilian professionals require extensive training and experience. We cannot recruit and retain top-notch military and civilian professionals, if they are vulnerable to summary dismissal.

Repair parts must be ordered three years ahead of anticipated use, in order to ensure the readiness of U.S. forces. Many years of research and development are needed to ensure that our forces are never outgunned or outmaneuvered. The average major weapons procurement program requires 8 years of development and testing. Production lines are necessarily set up anticipating stable procurement rates; they cannot be stopped and started, in order to offset a downturn in revenues or surge in entitlements. Because of the long-lead times needed for our weapons systems, DoD is unique among executive departments in that we must have detailed five-year plans incorporating them. It would be extremely costly, and essentially unworkable, to turn on and off defense programs, when the BBA forced deep budget cuts.

In sum, budgeting under BBA would inject great uncertainty and chaos into defense planning, which needs to have stability and a long-term perspective.

(Chart 4) Small changes in the U.S. economy would mean even bigger budget problems. Using the CBO rule of thumb, a one percent rise per year in interest rates would increase the federal budget deficit $5 billion in the first year and 108 billion over five years. A one percent fall per year in real growth in the economy would increase the deficit $9 billion in the first year and $289 billion over five years. Thus under the BBA, even modest changes in the economy could trigger sweeping cuts to federal programs.

CLOSING

The Balanced Budget Amendment addresses a very important issue, but it would dramatically complicate our ability to plan for and manage a strong Department of Defense.

Defense programs would be especially vulnerable under the BBA, because DoD accounts for about half of all discretionary spending. And that is critical because the BBA has no implementation details. Unless the BBA becomes a vehicle by which revenues are increased or entitlements cut, DoD could well have to pay for half of every dollar of deficit reduction.

DoD budget authority, in real terms, has been in decline since FY 1985. We have finally reached the end of our builddown. It would be dangerous to continue to downsize our forces at this time. The Balanced Budget Amendment would cut defense spending to whatever level its arbitrary formula dictated, and thereby displace the carefully considered judgments of Members of Congress, Presidents, and civilian and military leaders as to what spending is necessary and wise. I do not believe such an approach to questions of national security would serve America well.

IMPACT ON DEFENSE TO GET TO A ZERO DEFICIT

In order to assess the impact on DOD, assumptions have to be made about final date and provisions of the balanced budget amendment:

	Assumption
Year of implementation	2002.
Projected deficit at implementation	Current budget projection.
Will revenue be increased?	If yes, 50%/50% revenue/spending.
Will entitlements be cut?	If yes, in proportion to outlays.

IMPACT OF CUTS ON NATIONAL DEFENSE

Make substantial reductions to military and civilian personnel.

Return to "Hollow Forces."

Cancel Quality of Life Initiatives.

Stop planned modernization and recapitalization.

Cut back on science and technology.

Cancel technology and reinvestment programs.

Fundamentally change U.S. military posture.

Undermine U.S. commitments to allies.

Small Economic Changes Mean Big Budget Problems

Modest changes in the economy would necessitate sweeping program cuts.

CBO RULE OF THUMB

[In billions of dollars]

	Deficit impact	
	First year	5-Years
1 percent rise in interest rates	5	108
1 percent fall in real growth	9	289

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, THE SECRETARY,

Washington DC, February 8, 1995.

Senator ROBERT BYRD,

Ranking Minority Member, Committee on Appropriations, U.S. Senate, Washington, DC.

DEAR SENATOR BYRD: This letter presents the views of the Department of Housing and Urban Development on the proposed balanced budget amendment, House Joint Resolution 1. We are opposed to the proposed balanced budget amendment because it is unnecessary and could undermine important functions of this Department.

We certainly support the intended goal of reducing the federal deficit. Indeed, in 1993 the President joined with Members of Congress to enact the largest deficit reduction bill in history. The Administration looks forward to continuing to work with Congress on deficit reduction.

At the Department of Housing and Urban Development, we have established basis spending priorities to guide our decisions in preparing budgets for FY 96 and beyond. We have made our own hard choices and tough spending cuts in developing our proposed "Reinvention Blueprint", which would consolidate 60 programs into three programs and accomplish $800 million in administrative savings alone over the next five years. Further program reforms and budget economies to be announced February 6, 1995 will show five year savings at HUD of $51 billion in budget authority and $13 billion in outlays. In addition, we have already generated savings through a reorganization of our field structure to eliminate an entire layer of regional management. We have found many ways to do more with less people through service-oriented, performance-driven, results management, and partnerships with communities and the people we serve.

The proposed balanced budget amendment would create havoc with our budget decisions and program management. It could have a devastating impact on HUD's mission of service to the American people and communities. For example, our Department worked very hard to provide emergency relief to the victims of natural disasters such as the Southern California earthquake, the Midwest floods, Hurricane Andrew in Florida and Hurricane Iniki in Hawaii. Our ability to respond rapidly and effectively to emergencies could be severely curtailed by the balanced budget amendment. The amendment's requirement of a three-fifths vote could cause long delays, severe hardship, and perhaps even irreparable harm for the many people that will lose their homes and urgently need adequate housing in these emergency situations.

While we support the goal of a balanced budget, the proposals under consideration to achieve a balanced budget by the year 2002 could require an unprecedented level of reductions in our programs. It is our understanding that, if social security and defense are exempt from reductions and the tax cuts in the Contract with America are enacted, the remaining Federal programs will have to be reduced by more than 30 percent in FY 2002. For HUD, this would mean a cut of about $10 billion in one year alone. Assuming that reductions of this magnitude would be evenly spread across agencies and accounts, the effect on HUD programs would be devastating. For example, low-income rental assistance, which in the President's Budget would already be declining at the end of the century, would suffer severely, putting thousands more families at risk of homelessness, and our capacity to assist the already homeless would be crippled. A cut of 30 percent—$1.4 billion—in Community Opportunity Performance Funds (CDBG), would be a major blow to cities and communities across the nation who depend on the grant to support low-income job creation and infrastructure.

HUD has taken a disciplined, fiscally responsible, creative approach to achieving our key priorities. We have proposed dramatic, sweeping changes in the way the Department is structured and operates. Implementation of our Reinvention Blueprint would make HUD a more customer-driven, cost-effective, entrepreneurial organization. With consolidation of existing programs into performance-based funds, the focus would be on serving people and communities and producing better outcomes at significantly less cost.

This Administration has made great strides in reducing the size of the Federal budget and HUD has contributed to that effort. We must continue these efforts, but we must be prudent and produce real results, not simply crowd-pleasing rhetoric.

I am committed to working with the Congress to produce savings through further responsible program rescissions, reductions and reforms.

Sincerely,

HENRY G. CISNEROS.

U.S. DEPARTMENT OF EDUCATION,
THE SECRETARY,

Washington, DC, February 22, 1995.

Hon. ROBERT C. BYRD,

Committee on Appropriations, U.S. Senate, Washington, DC.

DEAR SENATOR BYRD: Thank you for your recent call and your inquiry concerning the possible impact of a balanced budget amendment to the Constitution on the operation of Federal education programs. I have set out some examples of the effect of the implementation of such an amendment on education programs.

I am informed by reliable analysts that if we assume that Social Security and National Defense Expenditures are exempted from the reductions in Federal spending required to comply with a balanced budget amendment, all other Federal programs could be subject to an estimated 30 percent reduction from the 1995 appropriated level.

Based on these assumptions, the following are some specific examples of how these reductions could affect Department of Education programs:

Financial aid for college—the surest route to the middle class American dream—would be slashed. A 30 percent cut would require a $2 billion cut in Pell Grant funding, eliminating awards to nearly 300,000 students and reducing the average award to the remaining 3.5 million students from $1,548 to $1,218. The termination of loan interest subsidies for 3 million low-income students and their families could increase borrowing costs by as much as 20 percent over the life of their loans. Support for the Supplemental Educational Opportunity Grant and Work-Study programs would decline by $360 million, eliminating awards to more than 500,000 needy postsecondary students. These cuts would effectively reverse 30 years of progress in expanding postsecondary education opportunity.

Goals 2000 and School-to-Work Opportunities. Reform efforts now under way in nearly all States would be dramatically scaled back, forcing the Nation to significantly reduce its commitment to high standards for all students. Under Goals 2000, for example, 45 States and 5 territories and thousands of communities are working hard to improve their schools, and are counting on these Federal dollars to help implement their education reform plans.

Title I Grants to Local Educational Agencies. The $2 billion cut required by a balanced budget amendment could reduce assistance to over 6 million economically disadvantaged elementary and secondary school students, or even terminate services altogether to as many as 2 million students. Title I helps low-achieving children, particularly those in high-poverty schools, meet the same challenging academic content and performance standards expected of all children.

Special Education Grants to States. Federal assistance in meeting the extra costs of serving over 5.6 million children with disabilities could drop from $426 to $298 per eligible child. Similar reductions for preschool and early intervention programs could lead many States to stop serving younger children with disabilities, a step that could only increase the need for more expensive services in later years.

Impact Aid. For this program, there could be a 30 percent reduction in Federal support for paying the operating costs of school districts enrolling large numbers of Federally connected children. Districts heavily dependent on such support could be forced to undertake such actions as furloughing or laying off teachers or shortening the length of the school year.

All of these serious reductions in Federal support for education could come at a time when international economic competition demands ever higher skill levels from American workers, and when our civic life and democracy demands better educated citizens. It is absolutely the wrong time to take any steps that might reduce our investment in education. I hope that this information will aid your efforts to place the full implications of such an amendment before the Members of the United States Senate.

Yours sincerely,

RICHARD W. RILEY.

THE SECRETARY OF VETERANS AFFAIRS,

Washington, DC, January 30, 1995.

Hon. ROBERT C. BYRD,

Ranking Minority Member, Committee on Appropriations, U.S. Senate, Washington, DC.

DEAR SENATOR BYRD: This is in response to your request for information on the potential effect on VA programs of the Balanced Budget Amendment that is soon to be considered on the Senate floor. I appreciate the need for continuing efforts to reduce federal deficits and support the goal of a balanced budget. However, I am extremely worried about how the current proposal would affect veterans and their families.

The proponents of the amendment have refused to indicate what spending cuts they would make in order to eliminate the deficit by fiscal year 2002. Nevertheless, many of the amendment's proponents have indicated what they will not do to eliminate the deficit: reduce Social Security and increase taxes. At the same time, they are promising to create new deficit pressures by increasing defense spending and actually reducing taxes, again without showing how they would offset the enormous costs involved in their initiatives. But despite the fundamental nature of the federal government's commitment to our veterans, Balanced Budget Amendment proponents have left VA programs on the table—subject to tremendous, inevitable pressures that the amendment will create to cut unprotected programs.

It is my understanding that, if Social Security and defense are exempt from reductions and the tax cuts in the Contract With America are enacted, then remaining federal programs will have to be reduced by more than 30 percent in FY 2002. Assuming, in the current absence of specifics, that such a reduction would be applied across the board, it would have a devastating effect on veterans' programs.

A 30-percent reduction to the Veterans Health Administration would prohibit us from providing health care services to many of those whom we now treat. A reduction in full-time-equivalent employees (FTEE) of 63,000 in 2002 could be expected and we would be able to treat 488,000 fewer inpatients and accommodate 11,403,000 fewer outpatient visits. The cutbacks could mean the closing of many VA hospitals, outpatient clinics, and nursing homes. In fact, the viability of the VA as a national health-care system for veterans could be threatened. It certainly could not be maintained on the same scale as today's system, and the Department's ability to maintain the current high level of quality care could be severely damaged.

Similarly, our Regional Offices could suffer a reduction of 3,000 FTEE, which might make it impossible for us to process veterans' claims for benefits in a timely way. Likewise, operations in the National Cemetery System might have to be severely curtailed; impairing our ability to bury veterans with dignity.

The many benefit programs that VA administers for disabled veterans could also be subject to deep cuts. As an example, certain severely disabled veterans who receive compensation for service-connected disabilities would, under current policy, be receiving approximately $42,400 per year by 2002. A 30-percent reduction in such a veteran's earned benefit would amount to $12,721 for that year. This is hardly an appropriate response for a grateful nation.

Our pension program for non-service-disabled wartime veterans is designed to keep these disabled veterans from living a life of abject poverty. A 30-percent cut in 2002 would result in a loss of up to $4,790 for the neediest of veterans, and would force nearly all VA pension recipients below the poverty line.

Thank you for this opportunity to share with you my concerns regarding the Balanced Budget Amendment. As always, I greatly appreciate your concern for and support of veterans and their families.

Sincerely,

JESSE BROWN.

THE SECRETARY OF HEALTH AND HUMAN SERVICES,

Washington, DC, January 30, 1995.

Hon. ROBERT C. BYRD,

Ranking Minority Member, Committee on Appropriations, U.S. Senate, Washington, DC.

DEAR SENATOR BYRD: Much has been said and written about adding a balanced budget amendment to the United States Constitution, but I want to make sure that the American people and the members of Congress fully understand what such an amendment could mean for the people served by the Department of Health and Human Services.

Let me be clear: While we support the goal of a balanced budget, the proposals under consideration by the Congress to achieve a balanced budget by the year 2002 could require an unprecedented level of reductions in our programs—including Medicare, Head Start, NIH research, and Medicaid.

If reductions to Social Security and defense spending are taken off the table and the tax cuts included in Contract With America are adopted, then all other domestic programs, including those at HHS, would have to be reduced by over 30 percent. This magnitude of reduction could threaten the affordable, high-quality health care our elderly have come to expect, jeopardize the critical research performed by our National Institutes of Health, and drive millions more families into poverty.

Applying a 30 percent reduction to the Medicare program to achieve the Balanced Budget Amendment goals could mean cuts of over $100 billion in the year 2002 alone. If Congress required beneficiaries to absorb the full cost, it would be the equivalent of charging an additional $215 a month to maintain the Medicare program in addition to the current projected Part B premium in 2002 of $59 a month. If these Medicare premiums are deducted from Social Security checks, this would mean a 25 percent reduction in the average beneficiary's Social Security check each month. For the one-in-four elderly Americans who rely almost solely on their Social Security check for their income, this is a painful loss.

If Congress instead chooses to cut the $100 billion from medical providers, then one of two things could happen: Providers may accept fewer Medicare beneficiaries as patients, or they may shift the costs to their non-Medicare business. This could increase private sector health costs by over 10 percent.

For Medicaid, balancing the budget could require over $55 billion in cuts in the year 2002 alone. Because Medicaid is a Federal/State partnership, cuts in the Federal budget could force States to make up the cuts either with increased State spending or through reduced support to the Medicaid program. Either approach simply shifts the burdens to the States. Moreover, States could have to choose between cutting services or coverage to either the elderly, disabled or poor mothers and their children.

Other key HHS programs could be harmed by a balanced budget amendment. For example, Head Start local programs could be forced to discontinue services to almost a quarter of a million children. The National Institutes of Health could lose $3.5 billion. This would be equivalent to eliminating the

entire National Cancer Institute; the National Heart, Lung and Blood Institute; and about half of the National Institute on Neurological Disorders and Stroke.

This Administration has made great strides in reducing the size of the Federal budget deficit, and the Department of Health and Human Services has contributed its fair share, but we must proceed down the path of further deficit reduction with care and with the full knowledge of what the price will be.

Sincerely,

DONNA E. SHALALA.

U.S. DEPARTMENT OF JUSTICE,
OFFICE OF LEGISLATIVE AFFAIRS,
Washington, DC, January 27, 1995.

Hon. ROBERT BYRD,
Ranking Minority Member, Committee on Appropriations, U.S. Senate, Washington, DC.

DEAR SENATOR BYRD: We understand that the Senate will shortly turn its consideration to various proposals to amend the Constitution to require a balanced federal budget. We certainly support the intended goal of reducing the federal deficit. Indeed, in 1993, the President joined with Members of Congress to enact the largest deficit reduction bill in history. The Administration looks forward to continuing to work with Congress on deficit reduction.

Before passing a balanced budget amendment, however, the Congress should be keenly aware of the impact that such an amendment could have on the essential operations of the federal government in general, and of the Department of Justice in particular. In a word, the impact could be devastating.[1]

When the Attorney General testified before the Senate Committee on Appropriations on February 15, 1994, she stated that ''[p]ut simply, the Balanced Budget Amendment would put at risk the Justice Department's ability to fight crime. Passage of the Amendment would mean sharp reductions in all of the Department's crime fighting units.'' This is as true today as it was a year ago. We believe now, as we did then, that the American people look to the federal government for more, not less, assistance in making their communities safe, and that they will not support arbitrary cutbacks or limitations on the essential resources that are urgently needed to combat wrongdoing.

The Attorney General also noted in her statement that passage of the Balanced Budget Amendment would lead to sharp reductions—and perhaps total elimination—of federal aid to State and local law enforcement. As the Attorney General indicated, elimination of this funding would ''destroy any hope of implementing our community policing and pubic safety initiatives''—two absolutely critical goals of last year's crime bill. At a time when we are striving to assist our State and local partners in ridding the Nation's schools and streets of crime, such an outcome would be tragic—and wrong.

We have taken the liberty of enclosing a copy of the Attorney General's statement of February 15, 1994, before the Senate Appropriations Committee. It goes into considerably greater detail than this letter about the likely negative effects that passage and ratification of a Balanced Budget Amendment would have upon the Department of Justice and upon law enforcement in the United States. We recognize, of course, that, because of the passage of time, the figures cited in the Attorney General's statement are not current. For example, the effects upon the Department, as stated by the Attorney General, were based on the assumption that spending would have to be reduced by twenty percent. If a thirty percent reduction were required, the budget impact would be fifty percent greater. These considerations do not, however, alter in any way the conclusions contained in the Attorney General's statement. If anything, they reinforce them. We urge that the Senate evaluate these considerations with extreme care before acting on any of the Balanced Budget Amendments that may come before it.

Thank you for permitting us to provide our views on this important matter. If we may be of additional assistance, or if you require additional information, please do not hesitate to call upon us. The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the presentation of this report.

Sincerely,

SHEILA F. ANTHONY,
Assistant Attorney General.

Enclosure.

STATEMENT OF JANET RENO, ATTORNEY GENERAL, BEFORE THE COMMITTEE ON APPROPRIATIONS FEBRUARY 15, 1994

Mr. Chairman and Members of the Committee:

INTRODUCTION

I am pleased to have this opportunity to appear before you today to testify on Senate Joint Resolution 41—the Balanced Budget Amendment. My remarks this morning will be devoted to explaining why this Amendment, which I oppose, could severely undermine the ability of the Department of Justice to fulfill its core function of fighting crime.

As everyone here is no doubt aware, the Administration is deeply committed to fighting crime and to making our streets and schools safe once again. President Clinton has made a promise to the American people to use all the resources of his Administration to reduce the rate of crime now plaguing our communities. As the President himself said last month in his State of the Union Address, ''violent crime and the fear it provokes are crippling our society, limiting personal freedom, and fraying the ties that bind us.'' Our charge is clear: to rid our society of this scourge while healing the wounds that divide us.

Members of this Committee have made a significant contribution in the fight against crime by voting for passage of a comprehensive crime bill. I salute you—and your colleagues in the Senate—for your support and dedicated efforts toward making this legislation a reality.

As Attorney General, my most important responsibility to the American people is to ensure that the laws are strictly enforced and that all the means at my disposal are utilized to their fullest extent in the fight against crime. My testimony today will focus on why the Balanced Budget Amendment—by forcing cutbacks in the very programs at the center of our anti-crime crusade—could severely undermine the Department's ability to banish violence from our homes and streets.

At the outset, let me state very clearly the basic assumptions I have made in addressing the effects of the Balanced Budget Amendment on the Department of Justice. For purposes of my analysis this morning, I have assumed that any spending cuts required by the Balanced Budget Amendment on the department of Justice. For purposes of my analysis this morning, I have assumed that any spending cuts required by the Balanced Budget Amendment would be pro-rated across all government programs; no single Cabinet Department or agency would be asked to cut any more, or any less, than any other. All would be affected equally.

Applying this basic assumption, in 1999—the earliest year the Amendment could go into effect—the total budget deficit is projected to be $201 billion. Because Department of Justice outlays are approximately 1 percent of total Federal outlays, we have estimated—again assuming that the Department will be asked to make the same percentage of spending reductions as everyone else—that the Department would be cut by $2 billion in outlays, or one percent of $201 billion. This equates to about $1.8 billion in budget authority by 1999, or approximately 20 percent of our discretionary budget authority.

Let me be blunt: If the Balanced Budget Amendment took effect today, and we were asked to cut almost $2 billion from our discretionary spending—the effects would be immediate, and they would be dire. We would feel those cuts in the very areas we are now trying to strengthen in order to win back our streets, schools and homes against escalating crime and violence.

Put simply, the Balanced Budget Amendment would put at risk the Justice Department's ability to fight crime. Passage of the Amendment would mean sharp reductions in all of the Department's crime fighting units.

THE AMENDMENT WOULD CAUSE SHARP REDUCTIONS IN ESSENTIAL DEPARTMENTAL PROGRAMS

Every single component of the Department—the FBI, the DEA, INS, the U.S. Attorneys' Offices, the U.S. Marshal's Office, the Bureau of Prisons, and other federal prosecutors—has worked hard to meet the President's FY 1995 budget. To cut them further—as the Balanced Budget Amendment would require—would not only prevent us from meeting our ambitious goals, but might result in a significant retreat from our current capabilities. Let me be more specific.

As you all well know, most of the Department's activities are funded out of a discretionary budget authority which is under the jurisdiction of the Committees On Appropriations. While the President's 1995 appropriation request for the Department includes only $103 million in mandatory appropriations, it includes a full $12.2 billion in discretionary budget authority. This portion funds the FBI, the DEA, the INS, the U.S. Marshals Offices, the U.S. Attorneys Offices, the Criminal Division, the Tax Division, the Antitrust Division, the Civil Rights Division, the Environment and Natural Resources Division and their respective litigating operations, the Bureau of Prisons, the Office of Justice Programs, and other components.

As I have already testified, we estimate that the Balanced Budget Amendment, if enacted, would require us to cut $2 billion from our discretionary programs by 1999. Using 1994 budget figures, instead of having $9.4 billion in discretionary funds to spend on crime fighting measures, we would have slightly more than seven and a half billion dollars.

Make no mistake about it: these cuts would have immediate consequences for our department. All this at a time when we are working so hard to take back our streets and to stop this devastating cycle of crime and violence.

With the public up in arms about the epidemic of crime in our communities, I am confident that no one on this Committee would want to see such draconian cuts in our crime-fighting units. Unfortunately, the Balanced Budget Amendment might leave us

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[1] Many proponents of the balanced budget proposals have stated that they would implement the balanced budget amendment without spending reductions in Social Security and national defense. If this is the case, and if the tax proposals contained in the Contract With America are adopted, all other domestic discretionary spending would have to be reduced by over 30 percent. Such reductions would be unprecedented—indeed Draconian—and would wreak havoc on the essential law enforcement programs of this Department.

with no other choice. Indeed, if forced to operate with the parameters of this Amendment, all the paths available to us would lead to one inevitable dead-end—the necessity of limiting the resources our nation so desperately needs to fight crime aggressively.

For example, one of the cornerstones of our crime-fighting program is the assistance we provide to state and local jurisdictions devoted to crime prevention. In fiscal year 1994, this assistance, most of which comes in the form of grants, will amount to nearly $1 billion. The purpose of these funds is to help our local and state law enforcement officials by supplementing their often severely limited resources, providing incentives for action in areas of critical need, and giving them the tools they need to serve their communities.

The hard, cold reality is that complying with the requirements of the Balanced Budget Amendment might mean eliminating aid to state and local law enforcement entirely. As the former prosecutor of Dade County, I learned first-hand how critically important this assistance is to holding the line against crime at the local level. I know, and President Clinton knows, that it is our local law enforcement officials, working in partnership with citizens and public interest groups, who are leading the fight to take back our streets. If that money is eliminated, it would effectively destroy any hope of forging the crucial federal-local partnerships that today must form the basis of our crime prevention efforts, and destroy any hope of implementing our community policing and public safety initiatives. In practical terms, the Balanced Budget Amendment would make it impossible to meet the President's budget request to put up to 100,000 more police officers on the street by 1999. As you know, in order to increase in 1995 the financial assistance to state and local law enforcement for purposes authorized in the Senate version of the crime bill, the President has already ''bitten the bullet'' and reallocated within the discretionary spending ceiling in order to support this new initiative.

Yet eliminating all local and state assistance measures—while a severe remedy in itself—would account for only half of the cutbacks required by the Balanced Budget Amendment. The Department would still have to eliminate approximately 11 percent of its total full-time staff funded by discretionary programs.

If instead state and local assistance were continued at a rate 20 percent below the current level, we would need to cut approximately 20,000 full-time employees, or about one-quarter of our entire full-time workstaff.

If, on the other hand, we continued the President's commitment to fund 100,000 new police, and the Balanced Budget Amendment were enacted today, the effect on the various Department components responsible for our crime prevention efforts would be catastrophic. The 20 percent reduction in our discretionary spending from 1994 resources required by the Amendment would mean:

The Federal Bureau of Investigation (FBI) would have to decrease its 1994 resources by $412.1 million and eliminate 4387 positions, including approximately 1900 agents and 2500 support staff. The Drug Enforcement Administration (DEA) would have to decrease its total resources by $145.9 million and eliminate approximately 500 agents and 600 support staff.

The impact of this reduction on these programs would be devastating. At all levels of law enforcement, essential training programs and important task forces would be eliminated. In addition, DEA's drug king-pin strategy would be crippled. Most, if not all, of the DEA's resident offices and posts of duty in small and mid-sized cities and towns would have to be closed. These effects would be felt well beyond this nation's borders, as DEA offices in drug source and transit countries would be forced to close shop.

The Immigration and Naturalization Service (INS) would need to reduce about 2400 staff members to cut $211.9 million off its budget. A reduction of this magnitude would severely curtail INS' ability to control the U.S. borders and enforce the nation's immigration laws. At a time when both the agency and the Administration have been targeting resources on controlling our borders, this would virtually shut down border patrol operations and negate all enhancements, including the increased agent strength that we achieved in 1994.

No new prisons would be built by the Bureau of Prisons (BOP), and due to lack of staff, existing institutions would have to close. Prison overcrowding would soar, to a startling 77 percent by 1999, forcing courts to mandate the release of violent offenders back onto the street. Living conditions would worsen, increasing the dangers posed to staff, inmates and the community at large.

The American people, tired of empty rhetoric and tired of escalating crime, are looking to us to provide direct and immediate action to make our communities safe once again. By passing the Balanced Budget Amendment, we would not be able to make good on the promises set forth in the crime bill. We would be saying to the American people in the same breath that while we're serious about fighting crime, we won't be able to fund the essential programs necessary to win this battle. We can not—and we should not—send such conflicting messages to the American people.

By passing the Balanced Budget Amendment, we would be gutting the heart and soul of the Senate-passed Crime Bill: the 20 percent reduction required by the Amendment would affect the Crime Control Fund like all other discretionary spending programs. For example, one of the most important initiatives included in the Crime Bill is the provision to hire 100,000 new police officers over the next five years. America's neighborhoods desperately need these new cops; more cops on the streets, working hand-in glove in their communities, means less crime. If passed today, the Balanced Budget Amendment will severely undercut our ability to put these police in the communities where they belong.

Just as important to our crime-fighting plan is the decision to build boot camps. These camps can give youths who have committed their first crime and who are at risk of drug and gang involvement the discipline, education and training they need to grab another chance for an honest life. If passed today, the Balanced Budget Amendment, however, would slash funds intended for these camps, depriving many young offenders of a chance at a new start on life.

Similarly, drug-treatment and coerced abstinence programs for criminal offenders—including residential substance abuse for prisoners—cornerstones of both the Crime Bill and the President's National Drug Control Strategy, would not be possible under a Balanced Budget Amendment. Nor could the Bill's plan to help support drug courts, drug testing and certainty of punishment for young offenders be implemented under a Balanced Budget Amendment.

Tomorrow, Assistant Attorney General Walter Dellinger will testify before this Committee on the potential impact of the Balanced Budget Amendment on the structure of the constitution, and I don't want to duplicate what he will say. I do hope, however, that you will listen very carefully to his testimony, because it will highlight another important aspect of this debate, one that merits serious consideration when you debate the merits of this Amendment.

CONCLUSION

Mr. Chairman, I hope my testimony has made this Committee more aware of just how dangerous the Balanced Budget Amendment could be for the Department and its efforts to reduce violent crime and drugs in America's streets and schools.

No one wants to see the deficit reduced more than this Administration. As the President and the Senate showed last summer, the deficit can be reduced only if we are willing to make the hard and necessary choices to control federal spending.

The Balanced Budget Amendment is not the simple cure that its proponents suggest. If it does work, it will only cause painful reductions in the very areas we are trying to bolster.

The fight against crime is not easy. It has never been easy. Hundreds of thousands of Americans each day put their lives on the line to protect their fellow-countrymen and women from the dangers of their communities. We owe it to them, and to all of us who are afraid to walk our streets at night or to attend schools during the daytime, to provide them with the resources to stamp out this epidemic of crime and restore our neighborhood security. The Balanced Budget Amendment will impede us in this effort at the very time that it is needed most. Let us not make this mistake.

Thank you for the opportunity to meet with you this morning and I'll be happy to answer any questions.

DEPARTMENT OF THE TREASURY,
Washington, DC, January 12, 1995.

Hon. HOWARD DEAN, M.D.,
Chairman, National Governors' Association, Office of the Governor, Montpelier, VT.

DEAR GOVERNOR DEAN: I write to answer your request for information on the likely effects of passage of a balanced-budget amendment, accompanied by ''Contract with America'' federal tax reductions, on state budgets and state taxes.

Enclosed is a set of estimates that Treasury staff have constructed of the possible effect on states and their finances of a constitutional amendment requiring the balancing of the federal budget in 2002, accompanied by the tax reductions mentioned above. These estimates are based on the following assumptions: (I) that the federal budget would be balanced through spending cuts, (II) that Social Security and Defense spending would not be reduced below baseline, and thus (III) that the entire burden of balancing the federal budget would be placed on non-interest, non-Social Security, non-Defense spending, as proposed methods for balancing the budget and financing various tax cuts excludes Social Security and Defense.

The estimates assume that every expenditure—interest, Social Security, and Defense aside—would be reduced relative to baseline by the same proportional amount. The estimates assume that the deficit reduction will be phased in gradually, an equal amount in each year between now and 2002. This arrangement of the spending cuts results in substantial interest savings relative to the baseline in 2002, and thus reduces the amount of non-interest spending that must be cut in 2002 to balance the budget.

Nevertheless, the cuts required in 2002 would be severe. To help balance the budget and help offset the tax reductions noted above, federal grants to states would be cut by a total of $97.8 billion in fiscal 2002. Other federal spending that directly benefits state

residents would be cut by $242.2 billion in fiscal 2002.

The cuts in grants—in Medicaid, highway funds, AFDC, and other grants—and the cuts in other spending—on Medicare and on other spending—were distributed across states proportionately to current levels of federal expenditures. Also reported is the amount by which total state taxes would have to be raised if the state wished to fully offset the reduction in federal grants.

Grants to states in the aggregate, to specific states, and to states for specific programs may be cut by more or by less than projected here. Yet, without further detail, the most reasonable method for illustrating the likely burdens on states is to assume across-the-board proportional cuts.

Note, also, that these estimates do not incorporate any significant feedback effects: it is possible that shifts in monetary policy would not be able to fully offset the downward macroeconomic impact of a balanced-budget amendment. To the extent that implementation of an amendment slows growth and reduces state revenues, the gap would be somewhat larger and the effect on state finances somewhat more severe. On the other hand, balancing the federal budget could have substantial positive effects on the U.S. economy, which would promise to raise state revenues as state economic activity increased. Such effects are not discussed here.

Note, finally, that this set of estimates is far from being a complete analysis of a balanced-budget amendment. Its principal function is to identify and evaluate the approximate impact on state government finances of a constitutional amendment that requires federal budget balance by 2002.

Sincerely yours,

JOYCE CARRIER,
Deputy Assistant Secretary for Public Liaison.

THE IMPACT OF A BALANCED-BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON STATE FINANCES

TABLE 1.—SPENDING REDUCTIONS UNDER BALANCED BUDGET AMENDMENT

[Fiscal year 2002, Millions of dollars]

State	Cuts in grants to State Government					Required State tax increase (percent)	Cuts in other Federal spending		
	Total	Medicaid	Highway	AFDC	Other		Total	Medicare	Other
U.S. total	71,300	40,314	5,176	4,508	21,301	N.A.	176,492	77,475	99,017
Alabama	1,162	641	98	32	391	16.4	3,058	1,157	1,900
Alaska	306	89	71	19	127	9.8	576	44	532
Arizona	919	519	78	68	254	10.4	2,397	949	1,447
Arkansas	723	416	65	16	225	16.5	1,567	766	800
California	7,708	3,944	442	960	2,362	9.2	20,321	9,101	11,220
Colorado	755	387	79	36	253	11.8	2,764	721	2,044
Connecticut	1,008	587	105	63	253	11.2	1,843	1,089	755
Delaware	158	70	18	9	61	7.2	383	176	207
DC	697	183	17	24	473	20.4	4,937	313	4,624
Florida	2,656	1,520	202	170	764	10.2	9,782	5,336	4,446
Georgia	1,608	938	131	101	438	12.0	3,790	1,392	2,398
Hawaii	328	117	62	24	125	6.8	737	216	522
Idaho	254	118	33	8	95	9.9	855	218	637
Illinois	2,576	1,354	174	155	892	11.6	7,532	4,092	3,441
Indiana	1,490	956	123	54	357	13.8	2,531	1,497	1,034
Iowa	630	328	69	35	197	10.9	1,919	897	1,022
Kansas	622	355	52	29	186	13.0	1,730	819	911
Kentucky	1,157	690	69	56	341	14.5	2,111	952	1,159
Louisiana	1,966	1,500	94	48	324	27.8	2,361	1,066	1,296
Maine	452	279	28	24	121	17.5	717	385	331
Maryland	1,125	581	83	65	396	9.9	6,253	1,377	4,876
Massachusetts	1,915	1,073	248	135	459	12.6	4,683	2,449	2,234
Michigan	2,477	1,355	140	229	753	13.2	4,988	3,333	1,655
Minnesota	1,177	679	102	83	314	9.4	2,547	1,123	1,424
Mississippi	864	496	61	24	282	20.8	1,672	713	959
Missouri	1,316	747	109	62	398	15.5	3,942	1,781	2,161
Montana	277	123	52	12	89	19.8	744	218	526
Nebraska	388	192	44	23	129	13.3	1,213	482	732
Nevada	227	116	32	11	68	6.2	1,005	258	747
New Hampshire	212	112	31	11	58	17.6	563	270	293
New Jersey	2,476	1,500	141	129	705	12.7	4,653	2,894	1,759
New Mexico	524	233	70	28	193	12.9	2,117	321	1,796
New York	8,181	5,442	274	535	1,930	17.4	11,058	6,876	4,182
North Carolina	1,697	1,025	136	95	441	11.1	3,217	1,432	1,785
North Dakota	229	105	35	8	81	19.7	563	231	332
Ohio	2,826	1,718	170	212	727	14.4	6,007	3,442	2,565
Oklahoma	770	424	51	51	244	12.4	2,110	934	1,177
Oregon	706	342	54	47	263	12.2	1,976	833	1,143
Pennsylvania	3,057	1,767	211	178	901	12.7	8,555	5,120	3,435
Rhode Island	430	255	42	23	109	21.4	619	347	272
South Carolina	1,003	644	68	31	260	14.3	2,217	682	1,535
South Dakota	231	103	39	6	82	24.7	577	205	372
Tennessee	1,537	989	78	60	411	19.5	3,845	1,349	2,496
Texas	4,167	2,520	340	147	1,159	14.0	10,758	4,280	6,479
Utah	422	190	49	22	160	11.4	1,078	235	842
Vermont	207	89	37	13	68	17.4	301	150	151
Virginia	1,005	490	72	49	393	8.2	6,073	1,374	4,699
Washington	1,318	730	117	126	346	8.4	3,569	1,107	2,463
West Virginia	765	488	45	32	199	20.6	1,209	600	608
Wisconsin	1,250	694	111	96	349	10.3	2,480	1,503	977
Wyoming	218	55	38	8	118	18.7	286	96	191
State total:	70,172	40,271	5,093	4,480	20,328	12.6	172,792	77,199	95,593
Undist. & Terr.	1,127	43	83	28	973	N.A.	3,700	276	3,424

TABLE 2.—SPENDING REDUCTIONS UNDER CONTRACT WITH AMERICA

[Fiscal year, millions of dollars]

State	Cuts in grants to State Governments					Required State tax increase (percent)	Cuts in other Federal spending		
	Total	Medicaid	Highway	AFDC	Other		Total	Medicare	Other
U.S. total	97,825	55,312	7,102	6,185	29,226	N.A.	242,151	106,298	135,854
Alabama	1,594	879	135	44	536	22.5	4,195	1,588	2,608
Alaska	420	123	98	26	174	13.5	790	60	730
Arizona	1,261	712	108	93	348	14.2	3,288	1,302	1,986
Arkansas	992	571	90	23	309	22.7	2,150	1,052	1,098
California	10,576	5,412	607	1,317	3,241	12.6	27,880	12,486	15,394
Colorado	1,036	531	108	49	347	16.2	3,793	989	2,804
Connecticut	1,383	805	145	86	348	15.4	2,529	1,494	1,035
Delaware	217	97	25	12	83	9.8	526	241	284
DC	956	252	23	32	650	27.9	6,774	429	6,345
Florida	3,644	2,086	277	233	1,048	14.0	13,421	7,321	6,100
Georgia	2,206	1,286	180	138	601	16.5	5,200	1,910	3,290
Hawaii	450	161	85	32	172	9.3	1,012	296	716
Idaho	349	162	46	11	131	13.6	1,173	299	874
Illinois	3,534	1,858	239	213	1,224	15.9	10,334	5,614	4,721
Indiana	2,044	1,312	168	74	490	18.9	3,473	2,054	1,419

TABLE 2.—SPENDING REDUCTIONS UNDER CONTRACT WITH AMERICA—Continued

[Fiscal year, millions of dollars]

State	Cuts in grants to State Governments					Required State tax increase (percent)	Cuts in other Federal spending		
	Total	Medicaid	Highway	AFDC	Other		Total	Medicare	Other
Iowa	864	451	95	48	270	15.0	2,633	1,231	1,402
Kansas	853	487	71	40	255	17.8	2,374	1,124	1,249
Kentucky	1,587	947	95	77	468	19.8	2,896	1,306	1,590
Louisiana	2,697	2,059	129	66	444	38.2	3,240	1,462	1,778
Maine	621	383	38	33	166	24.0	983	529	454
Maryland	1,543	798	113	89	543	13.5	8,579	1,889	6,690
Massachusetts	2,627	1,472	340	185	630	17.3	6,425	3,360	3,065
Michigan	3,398	1,859	192	314	1,034	18.1	6,844	4,572	2,271
Minnesota	1,615	931	139	113	431	13.0	3,494	1,541	1,954
Mississippi	1,185	681	84	33	387	28.5	2,294	978	1,316
Missouri	1,806	1,025	149	85	547	21.2	5,408	2,444	2,965
Montana	380	169	71	17	123	27.1	1,021	298	722
Nebraska	533	264	60	31	177	18.3	1,665	661	1,004
Nevada	312	159	44	15	94	8.6	1,379	354	1,025
New Hampshire	291	154	43	16	79	24.1	773	370	403
New Jersey	3,397	2,059	194	177	968	17.5	6,384	3,971	2,413
New Mexico	719	320	96	38	265	17.6	2,904	440	2,464
New York	11,225	7,466	376	734	2,649	23.8	15,172	9,435	5,738
North Carolina	2,329	1,406	187	130	605	15.2	4,414	1,965	2,449
North Dakota	314	144	48	10	111	27.0	773	317	455
Ohio	3,878	2,358	233	290	997	19.8	8,242	4,722	3,520
Oklahoma	1,056	582	70	69	335	17.0	2,896	2,281	1,615
Oregon	969	469	75	65	361	16.8	2,711	1,143	1,568
Pennsylvania	4,194	2,424	290	244	1,237	17.4	11,738	7,025	4,713
Rhode Island	590	350	58	32	150	29.3	849	476	373
South Carolina	1,376	883	94	42	357	19.6	3,042	935	2,106
South Dakota	316	142	53	9	113	33.8	792	281	511
Tennessee	2,109	1,357	107	82	563	26.7	5,275	1,850	3,425
Texas	5,717	3,457	466	202	1,591	19.2	14,761	5,872	8,889
Utah	579	261	68	31	220	15.6	1,479	323	1,156
Vermont	284	122	51	18	93	23.9	413	206	207
Virginia	1,379	673	99	68	539	11.2	8,332	1,885	6,447
Washington	1,809	1,001	161	172	474	11.5	4,897	1,518	3,379
West Virginia	1,049	670	62	44	273	28.3	1,658	824	835
Wisconsin	1,716	952	153	132	479	14.2	3,402	2,062	1,340
Wyoming	300	75	52	10	162	25.7	393	131	262
State total	96,278	55,253	6,988	6,147	27,891	17.3	237,075	105,919	131,155
Undist. & Terr.	1,547	59	114	38	1,335	N.A.	5,077	378	4,698

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF ALABAMA [1]

I. A Balanced Budget Amendment would reduce annual Federal grants to the Alabama state government by $1.2 billion.

$641 million per year in lost funding for Medicaid.

$98 million per year in lost highway trust fund grants.

$32 million per year in lost funding for welfare (AFDC).

$391 million per year in lost funding for education, job training, the environment, housing, and other areas.

Alabama would have to increase state taxes by 16.4 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Alabama state government by $1.6 billion.

$879 million per year in lost funding for Medicaid.

$135 million per year in lost highway trust fund grants.

$44 million per year in lost funding for welfare (AFDC).

$536 million per year in lost funding for education, job training, the environment, housing, and other areas.

Alabama would have to increase state taxes by 22.5 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Alabama by $4.2 billion.

$1.6 billion per year in Medicare benefits.

$2.6 billion per year in other spending including housing assistance, student loans, veteran's benefits, and grants to local governments.

[1] For all calculations, a balanced budget is achieved by FY 2002 through across-the-board spending cuts that exclude defense and social security.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF ALASKA

I. A Balanced Budget Amendment would reduce annual Federal grants to the Alaska state government by $306 million.

$89 million per year in lost funding for Medicaid.

$71 million per year in lost highway trust fund grants.

$19 million per year in lost funding for welfare (AFDC).

$127 million per year in lost funding for education, job training, the environment, housing, and other areas.

Alaska would have to increase state taxes by 9.8 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Alaska state government by $420 million.

$123 million per year in lost funding for Medicaid.

$98 million per year in lost highway trust fund grants.

$26 million per year in lost funding for welfare (AFDC).

$174 million per year in lost funding for education, job training, the environment, housing, and other areas.

Alaska would have to increase state taxes by 13.5 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Alaska by $790 million.

$60 million per year in Medicare benefits.

$730 million per year in other spending including housing assistance, student loans, veteran's benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF ARIZONA

I. A Balanced Budget Amendment would reduce annual Federal grants to the Arizona state government by $919 million.

$519 million per year in lost funding for Medicaid.

$78 million per year in lost highway trust fund grants.

$68 million per year in lost funding for welfare (AFDC).

$254 million per year in lost funding for education, job training, the environment, housing, and other areas.

Arizona would have to increase state taxes by 10.4 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Arizona state government by $1.3 billion.

$712 million per year in lost funding for Medicaid.

$108 million per year in lost highway trust fund grants.

$93 million per year in lost funding for welfare (AFDC).

$348 million per year in lost funding for education, job training, the environment, housing, and other areas.

Arizona would have to increase state taxes by 14.2 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Arizona by $3.3 billion.

$1.3 billion per year in Medicare benefits.

$2.0 billion per year in other spending including housing assistance, student loans, veteran's benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF ARKANSAS

I. A Balanced Budget Amendment would reduce annual Federal grants to the Arkansas state government by $723 million.

$416 million per year in lost funding for Medicaid.

$65 million per year in lost highway trust fund grants.

$16 million per year in lost funding for welfare (AFDC).

$225 million per year in lost funding for education, job training, the environment, housing, and other areas.

Arkansas would have to increase state taxes by 16.5 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Arkansas state government by $992 million.

$571 million per year in lost funding for Medicaid.

$90 million per year in lost highway trust fund grants.

$23 million per year in lost funding for welfare (AFDC).

$309 million per year in lost funding for education, job training, the environment, housing, and other areas.

Arkansas would have to increase state taxes by 22.7 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Arkansas by $2.1 billion.

$1.1 billion per year in Medicare benefits.

$1.1 billion per year in other spending including housing assistance, student loans, veteran's benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF CALIFORNIA

I. A Balanced Budget Amendment would reduce annual Federal grants to the California state government by $7.7 billion.

$3.9 billion per year in lost funding for Medicaid.

$442 million per year in lost highway trust fund grants.

$960 million per year in lost funding for welfare (AFDC).

$2.4 billion per year in lost funding for education, job training, the environment, housing, and other areas.

California would have to increase state taxes by 9.2 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the California state government by $10.6 billion.

$5.4 billion per year in lost funding for Medicaid.

$607 million per year in lost highway trust fund grants.

$1.3 billion per year in lost funding for welfare (AFDC).

$3.2 billion per year in lost funding for education, job training, the environment, housing, and other areas.

California would have to increase state taxes by 12.6 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in California by $27.9 billion.

$12.5 billion per year in Medicare benefits.

$15.4 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF COLORADO

I. A Balanced Budget Amendment would reduce annual Federal grants to the Colorado state government by $755 million.

$387 million per year in lost funding for Medicaid.

$79 million per year in lost highway trust fund grants.

$36 million per year in lost funding for welfare (AFDC).

$253 million per year in lost funding for education, job training, the environment, housing, and other areas.

Colorado would have to increase state taxes by 11.8 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Colorado state government by $1.0 billion.

$531 million per year in lost funding for Medicaid.

$108 million per year in lost highway trust fund grants.

$49 million per year in lost funding for welfare (AFDC).

$347 million per year in lost funding for education, job training, the environment, housing, and other areas.

Colorado would have to increase state taxes by 16.2 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Colorado by $3.8 billion.

$989 million per year in Medicare benefits.

$2.8 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF CONNECTICUT

I. A Balanced Budget Amendment would reduce annual Federal grants to the Connecticut state government by $1.0 billion.

$587 million per year in lost funding for Medicaid.

$105 million per year in lost highway trust fund grants.

$63 million per year in lost funding for welfare (AFDC).

$253 million per year in lost funding for education, job training, the environment, housing, and other areas.

Connecticut would have to increase state taxes by 11.2 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Connecticut state government by $1.4 billion.

$805 million per year in lost funding for Medicaid.

$145 million per year in lost highway trust fund grants.

$86 million per year in lost funding for welfare (AFDC).

$348 million per year in lost funding for education, job training, the environment, housing, and other areas.

Connecticut would have to increase state taxes by 15.4 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Connecticut by $2.5 billion.

$1.5 billion per year in Medicare benefits.

$1.0 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF DELAWARE

I. A Balanced Budget Amendment would reduce annual Federal grants to the Delaware state government by $158 billion.

$70 million per year in lost funding for Medicaid.

$18 million per year in lost highway trust fund grants.

$9 million per year in lost funding for welfare (AFDC).

$61 million per year in lost funding for education, job training, the environment, housing, and other areas.

Delaware would have to increase state taxes by 7.2 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Delaware state government by $217 million.

$97 million per year in lost funding for Medicaid.

$25 million per year in lost highway trust fund grants.

$12 million per year in lost funding for welfare (AFDC).

$83 million per year in lost funding for education, job training, the environment, housing, and other areas.

Delaware would have to increase state taxes by 9.8 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Delaware by $526 million.

$241 million per year in Medicare benefits.

$284 million per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE DISTRICT OF COLUMBIA

I. A Balanced Budget Amendment would reduce annual Federal grants to the D.C. government by $697 million.

$183 million per year in lost funding for Medicaid.

$17 million per year in lost highway trust fund grants.

$24 million per year in lost funding for welfare (AFDC).

$473 million per year in lost funding for education, job training, the environment, housing, and other areas.

D.C. would have to increase state taxes by 20.4 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the D.C. government by $956 million.

$252 million per year in lost funding for Medicaid.

$23 million per year in lost highway trust fund grants.

$32 million per year in lost funding for welfare (AFDC).

$650 million per year in lost funding for education, job training, the environment, housing, and other areas.

D.C. would have to increase state taxes by 27.9 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in DC by $6.8 billion.

$429 million per year in Medicare benefits.

$6.3 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF FLORIDA

I. A Balanced Budget Amendment would reduce annual Federal grants to the Florida state government by $2.7 billion.

$1.5 billion per year in lost funding for Medicaid.

$202 million per year in lost highway trust fund grants.

$170 million per year in lost funding for welfare (AFDC).

$764 million per year in lost funding for education, job training, the environment, housing, and other areas.

Florida would have to increase state taxes by 10.2 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Florida state government by $3.6 billion.

$2.1 billion per year in lost funding for Medicaid.

$277 million per year in lost highway trust fund grants.

$233 million per year in lost funding for welfare (AFDC).

$1.0 billion per year in lost funding for education, job training, the environment, housing, and other areas.

Florida would have to increase state taxes by 14.0 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Florida by $13.4 billion.

$7.3 billion per year in Medicare benefits.

$6.1 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF GEORGIA

I. A A Balanced Budget Amendment would reduce annual Federal grants to the Georgia state government by $1.6 billion.

$938 million per year in lost funding for Medicaid.

$131 million per year in lost highway trust fund grants.

$101 million per year in lost funding for welfare (AFDC).

$438 million per year in lost funding for education, job training, the environment, housing, and other areas.

Georgia would have to increase state taxes by 12.0 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Georgia state government by $2.2 billion.

$1.3 billion per year in lost funding for Medicaid.

$180 million per year in lost highway trust fund grants.

$138 million per year in lost funding for welfare (AFDC).

$601 million per year in lost funding for education, job training, the environment, housing, and other areas.

Georgia would have to increase state taxes by 16.5 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Georgia by $5.2 billion.

$1.9 billion per year in Medicare benefits.

$3.3 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF HAWAII

I. A Balanced Budget Amendment would reduce annual Federal grants to the Hawaii state government by $328 million.

$117 million per year in lost funding for Medicaid.

$62 million per year in lost highway trust fund grants.

$24 million per year in lost funding for welfare (AFDC).

$125 million per year in lost funding for education, job training, the environment, housing, and other areas.

Hawaii would have to increase state taxes by 6.8 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Hawaii state government by $450 million.

$161 million per year in lost funding for Medicaid.

$85 million per year in lost highway trust fund grants.

$32 million per year in lost funding for welfare (AFDC).

$172 million per year in lost funding for education, job training, the environment, housing, and other areas.

Hawaii would have to increase state taxes by 9.3 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Hawaii by $1.0 billion.

$296 million per year in Medicare benefits.

$716 million per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF IDAHO

I. A Balanced Budget Amendment would reduce annual Federal grants to the Idaho state government by $254 million.

$118 million per year in lost funding for Medicaid.

$33 million per year in lost highway trust fund grants.

$8 million per year in lost funding for welfare (AFDC).

$95 million per year in lost funding for education, job training, the environment, housing, and other areas.

Idaho would have to increase state taxes by 9.9 percent across-the-board to make up for the loss in grants

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Idaho state government by $349 million.

$162 million per year in lost funding for Medicaid.

$46 million per year in lost highway trust fund grants.

$11 million per year in lost funding for welfare (AFDC).

$131 million per year in lost funding for education, job training, the environment, housing, and other areas.

Idaho would have to increase state taxes by 13.6 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Idaho by $1.2 billion.

$299 million per year in Medicare benefits.

$874 million per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF ILLINOIS

I. A Balanced Budget Amendment would reduce annual Federal grants to the Illinois state government by $2.6 billion.

$1.4 billion per year in lost funding for Medicaid.

$174 million per year in lost highway trust fund grants.

$155 million per year in lost funding for welfare (AFDC).

$892 million per year in lost funding for education, job training, the environment, housing, and other areas.

Illinois would have to increase state taxes by 11.6 percent across-the-board to make up for the loss in grants

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require deeper spending cuts, thereby reducing annual Federal grants to the Illinois state government by $3.5 billion.

$1.9 billion per year in lost funding for Medicaid.

$239 million per year in lost highway trust fund grants.

$213 million per year in lost funding for welfare (AFDC).

$1.2 billion per year in lost funding for education, job training, the environment, housing, and other areas.

Illinois would have to increase state taxes by 15.9 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Illinois by $10.3 billion.

$5.6 billion per year in Medicare benefits.

$4.7 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF INDIANA

I. A Balanced Budget Amendment would reduce annual grants to the Indiana state government by $1.5 billion.

$956 million per year in lost funding for Medicaid.

$123 million per year in lost highway trust fund grants.

$54 million per year in lost funding for welfare (AFDC).

$357 million per year in lost funding for education, job training, the environment, housing, and other areas.

Indiana would have to increase state taxes by 13.8 percent across-the-board to make up for the loss in grants

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Indiana state government by $2.0 billion.

$1.3 billion per year in lost funding for Medicaid.

$168 million per year in lost highway trust fund grants.

$74 million per year in lost funding for welfare (AFDC).

$490 million per year in lost funding for education, job training, the environment, housing, and other areas.

Indiana would have to increase state taxes by 18.9 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Indiana by $3.5 billion.

$2.1 billion per year in Medicare benefits.

$1.4 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF IOWA

I. A Balanced Budget Amendment would reduce annual Federal grants to the Iowa state government by $630 million.

$328 million per year in lost funding for Medicaid.

$69 million per year in lost highway trust fund grants.

$35 million per year in lost funding for welfare (AFDC).

$197 million per year in lost funding for education, job training, the environment, housing, and other areas.

Iowa would have to increase state taxes by 10.9 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Iowa state government by $864 million.

$451 million per year in lost funding for Medicaid.

$95 million per year in lost highway trust fund grants.

$48 million per year in lost funding for welfare (AFDC).

$270 million per year in lost funding for education, job training, the environment, housing, and other areas.

Iowa would have to increase state taxes by 15.0 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Iowa by $2.6 billion.

$1.2 billion per year in Medicare benefits.

$1.4 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF KANSAS

I. A Balanced Budget Amendment would reduce annual Federal grants to the Kansas state government by $622 million.

$355 million per year in lost funding for Medicaid.

$52 million per year in lost highway trust fund grants.

$29 million per year in lost funding for welfare (AFDC).

$186 million per year in lost funding for education, job training, the environment, housing, and other areas.

Kansas would have to increase state taxes by 13.0 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would requre even deeper spending cuts, thereby reducing annual Federal grants to the Kansas state government by $853 million.

$487 million per year in lost funding for Medicaid.

$71 million per year in lost highway trust fund grants.

$40 million per year in lost funding for welfare (AFDC).

$255 million per year in lost funding for education, job training, the environment, housing, and other areas.

Kansas would have to increase state taxes by 17.8 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Kansas by $2.4 billion.

$1.1 billion per year in Medicare benefits.

$1.2 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF KENTUCKY

I. A Balanced Budget Amendment would reduce annual Federal grants to the Kentucky state government by $1.2 billion.

$690 million per year in lost funding for Medicaid.

$69 million per year in lost highway trust fund grants.

$56 million per year in lost funding for welfare (AFDC).

$341 million per year in lost funding for education, job training, the environment, housing, and other areas.

Kentucky would have to increase state taxes by 14.5 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would requre even deeper spending cuts, thereby reducing annual Federal grants to the Kentucky state government by $1.6 billion.

$947 million per year in lost funding for Medicaid.

$95 million per year in lost highway trust fund grants.

$77 million per year in lost funding for welfare (AFDC).

$468 million per year in lost funding for education, job training, the environment, housing, and other areas.

Kentucky would have to increase state taxes by 19.8 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Kentucky by $2.9 billion.

$1.3 billion per year in Medicare benefits.

$1.6 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF LOUISIANA

I. A Balanced Budget Amendment would reduce annual Federal grants to the Louisiana state government by $2.0 billion.

$1.5 billion per year in lost funding for Medicaid.

$94 million per year in lost highway trust fund grants.

$48 million per year in lost funding for welfare (AFDC).

$324 million per year in lost funding for education, job training, the environment, housing, and other areas.

Louisiana would have to increase state taxes by 27.8 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would requre even deeper spending cuts, thereby reducing annual Federal grants to the Louisiana state government by $2.7 billion.

$2.1 billion per year in lost funding for Medicaid.

$129 million per year in lost highway trust fund grants.

$66 million per year in lost funding for welfare (AFDC).

$444 million per year in lost funding for education, job training, the environment, housing, and other areas.

Louisiana would have to increase state taxes by 38.2 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Louisiana by $3.2 billion.

$1.5 billion per year in Medicare benefits.

$1.8 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF MAINE

I. A Balanced Budget Amendment would reduce annual Federal grants to the Maine state government by $452 million.

$279 million per year in lost funding for Medicaid.

$28 million per year in lost highway trust fund grants.

$24 million per year in lost funding for welfare (AFDC).

$121 million per year in lost funding for education, job training, the environment, housing, and other areas.

Maine would have to increase state taxes by 17.5 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would requre even deeper spending cuts, thereby reducing annual Federal grants to the Maine state government by $621 million.

$383 million per year in lost funding for Medicaid.

$38 million per year in lost highway trust fund grants.

$33 million per year in lost funding for welfare (AFDC).

$166 million per year in lost funding for education, job training, the environment, housing, and other areas.

Maine would have to increase state taxes by 17.8 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Maine by $983 million.

$529 million per year in Medicare benefits.

$454 million per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF MARYLAND

I. A Balanced Budget Amendment would reduce annual Federal grants to the Maryland state government by $1.1 billion.

$581 million per year in lost funding for Medicaid.

$83 million per year in lost highway trust fund grants.

$65 million per year in lost funding for welfare (AFDC).

$396 million per year in lost funding for education, job training, the environment, housing, and other areas.

Maryland would have to increase state taxes by 9.9 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax

cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Maryland state government by $1.5 billion.

$798 million per year in lost funding for Medicaid.

$113 million per year in lost highway trust fund grants.

$89 million per year in lost funding for welfare (AFDC).

$543 million per year in lost funding for education, job training, the environment, housing, and other areas.

Maryland would have to increase state taxes by 13.5 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Maryland by $8.6 billion.

$1.9 billion per year in Medicare benefits.

$6.7 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF MASSACHUSETTS

I. A Balanced Budget Amendment would reduce annual Federal grants to the Massachusetts state government by $1.9 billion.

$1.1 billion per year in lost funding for Medicaid.

$248 million per year in lost highway trust fund grants.

$135 million per year in lost funding for welfare (AFDC).

$459 million per year in lost funding for education, job training, the environment, housing, and other areas.

Massachusetts would have to increase state taxes by 12.6 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Massachusetts state government by $2.6 billion.

$1.5 billion per year in lost funding for Medicaid.

$340 million per year in lost highway trust fund grants.

$185 million per year in lost funding for welfare (AFDC).

$630 million per year in lost funding for education, job training, the environment, housing, and other areas.

Massachusetts would have to increase state taxes by 17.3 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Massachusetts by $6.4 billion.

$3.4 billion per year in Medicare benefits.

$3.1 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF MICHIGAN

I. A Balanced Budget Amendment would reduce annual Federal grants to the Michigan state government by $2.5 billion.

$1.4 billion per year in lost funding for Medicaid.

$140 million per year in lost highway trust fund grants.

$229 million per year in lost funding for welfare (AFDC).

$753 million per year in lost funding for education, job training, the environment, housing, and other areas.

Michigan would have to increase state taxes by 13.2 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Michigan state government by $3.4 billion.

$1.9 billion per year in lost funding for Medicaid.

$192 million per year in lost highway trust fund grants.

$314 million per year in lost funding for welfare (AFDC).

$1.0 billion per year in lost funding for education, job training, the environment, housing, and other areas.

Michigan would have to increase state taxes by 18.1 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Michigan by $6.8 billion.

$4.6 billion per year in Medicare benefits.

$2.3 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF MINNESOTA

I. A Balanced Budget Amendment would reduce annual Federal grants to the Minnesota state government by $1.2 billion.

$679 million per year in lost funding for Medicaid.

$102 million per year in lost highway trust fund grants.

$83 million per year in lost funding for welfare (AFDC).

$314 million per year in lost funding for education, job training, the environment, housing, and other areas.

Minnesota would have to increase state taxes by 9.4 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Minnesota state government by $1.6 billion.

$931 million per year in lost funding for Medicaid.

$139 million per year in lost highway trust fund grants.

$113 million per year in lost funding for welfare (AFDC).

$431 million per year in lost funding for education, job training, the environment, housing, and other areas.

Minnesota would have to increase state taxes by 13.0 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Minnesota by $3.5 billion.

$1.5 billion per year in Medicare benefits.

$2.0 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF MISSISSIPPI

I. A Balanced Budget Amendment would reduce annual Federal grants to the Mississippi state government by $864 million.

$496 million per year in lost funding for Medicaid.

$61 million per year in lost highway trust fund grants.

$24 million per year in lost funding for welfare (AFDC).

$282 million per year in lost funding for education, job training, the environment, housing, and other areas.

Mississippi would have to increase state taxes by 20.8 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Mississippi state government by $1.2 billion.

$681 million per year in lost funding for Medicaid.

$84 million per year in lost highway trust fund grants.

$33 million per year in lost funding for welfare (AFDC).

$387 million per year in lost funding for education, job training, the environment, housing, and other areas.

Mississippi would have to increase state taxes by 28.5 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Mississippi by $2.3 billion.

$978 million per year in Medicare benefits.

$1.3 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF MISSOURI

I. A Balanced Budget Amendment would reduce annual Federal grants to the Missouri state government by $1.3 billion.

$747 million per year in lost funding for Medicaid.

$109 million per year in lost highway trust fund grants.

$62 million per year in lost funding for welfare (AFDC).

$398 million per year in lost funding for education, job training, the environment, housing, and other areas.

Missouri would have to increase state taxes by 15.5 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Missouri state government by $1.8 billion.

$1.0 billion per year in lost funding for Medicaid.

$149 million per year in lost highway trust fund grants.

$85 million per year in lost funding for welfare (AFDC).

$547 million per year in lost funding for education, job training, the environment, housing, and other areas.

Missouri would have to increase state taxes by 21.2 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Missouri by $5.4 billion.

$2.4 billion per year in Medicare benefits.

$3.0 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF MONTANA

I. A Balanced Budget Amendment would reduce annual Federal grants to the Montana state government by $277 million.

$123 million per year in lost funding for Medicaid.

$52 million per year in lost highway trust fund grants.

$12 million per year in lost funding for welfare (AFDC).

$89 million per year in lost funding for education, job training, the environment, housing, and other areas.

Montana would have to increase state taxes by 19.8 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Montana state government by $380 million.

$169 million per year in lost funding for Medicaid.

$71 million per year in lost highway trust fund grants.

$17 million per year in lost funding for welfare (AFDC).

$123 million per year in lost funding for education, job training, the environment, housing, and other areas.

Montana would have to increase state taxes by 27.1 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Montana by $1.0 billion.

$298 million per year in Medicare benefits.

$722 million per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF NEBRASKA

I. A Balanced Budget Amendment would reduce annual Federal grants to the Nebraska state government by $388 million.

$192 million per year in lost funding for Medicaid.

$44 million per year in lost highway trust fund grants.

$23 million per year in lost funding for welfare (AFDC).

$129 million per year in lost funding for education, job training, the environment, housing, and other areas.

Nebraska would have to increase state taxes by 13.3 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Nebraska state government by $533 million.

$264 million per year in lost funding for Medicaid.

$60 million per year in lost highway trust fund grants.

$31 million per year in lost funding for welfare (AFDC).

$177 million per year in lost funding for education, job training, the environment, housing, and other areas.

Nebraska would have to increase state taxes by 18.3 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Nebraska by $1.7 billion.

$661 million per year in Medicare benefits.

$1.0 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF NEVADA

I. A Balanced Budget Amendment would reduce annual Federal grants to the Nevada state government by $227 million.

$116 million per year in lost funding for Medicaid.

$32 million per year in lost highway trust fund grants.

$11 million per year in lost funding for welfare (AFDC).

$68 million per year in lost funding for education, job training, the environment, housing, and other areas.

Nevada would have to increase state taxes by 6.2 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Nevada state government by $312 million.

$159 million per year in lost funding for Medicaid.

$44 million per year in lost highway trust fund grants.

$15 million per year in lost funding for welfare (AFDC).

$94 million per year in lost funding for education, job training, the environment, housing, and other areas.

Nevada would have to increase state taxes by 8.6 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Nevada by $1.4 billion.

$354 million per year in Medicare benefits.

$1.0 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF NEW HAMPSHIRE

I. A Balanced Budget Amendment would reduce annual Federal grants to the New Hampshire state government by $212 million.

$112 million per year in lost funding for Medicaid.

$31 million per year in lost highway trust fund grants.

$11 million per year in lost funding for welfare (AFDC).

$58 million per year in lost funding for education, job training, the environment, housing, and other areas.

New Hampshire would have to increase state taxes by 17.6 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the New Hampshire state government by $291 million.

$154 million per year in lost funding for Medicaid.

$43 million per year in lost highway trust fund grants.

$16 million per year in lost funding for welfare (AFDC).

$79 million per year in lost funding for education, job training, the environment, housing, and other areas.

New Hampshire would have to increase state taxes by 24.1 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in New Hampshire by $773 million.

$370 million per year in Medicare benefits.

$403 million per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF NEW JERSEY

I. A Balanced Budget Amendment would reduce annual Federal grants to the New Jersey state government by $2.5 billion.

$1.5 billion per year in lost funding for Medicaid.

$141 million per year in lost highway trust fund grants.

$129 million per year in lost funding for welfare (AFDC).

$705 million per year in lost funding for education, job training, the environment, housing, and other areas.

New Jersey would have to increase state taxes by 12.7 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the New Jersey state government by $3.4 billion.

$2.1 billion per year in lost funding for Medicaid.

$194 million per year in lost highway trust fund grants.

$177 million per year in lost funding for welfare (AFDC).

$968 million per year in lost funding for education, job training, the environment, housing, and other areas.

New Jersey would have to increase state taxes by 17.5 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in New Jersey by $6.4 billion.

$4.0 billion per year in Medicare benefits.

$2.4 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF NEW MEXICO

I. A Balanced Budget Amendment would reduce annual Federal grants to the new Mexico state government by $524 million.

$233 million per year in lost funding for Medicaid.

$70 million per year in lost highway trust fund grants.

$28 million per year in lost funding for welfare (AFDC).

$193 million per year in lost funding for education, job training, the environment, housing, and other areas.

New Mexico would have to increase state taxes by 12.9 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the New Mexico state government by $719 million.

$320 million per year in lost funding for Medicaid.

$96 million per year in lost highway trust fund grants.

$38 million per year in lost funding for welfare (AFDC).

$265 million per year in lost funding for education, job training, the environment, housing, and other areas.

New Mexico would have to increase state taxes by 17.6 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would

reduce other annual Federal spending in New Mexico by $2.9 billion.

$440 million per year in Medicare benefits.

$2.5 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF NEW YORK

I. A Balanced Budget Amendment would reduce annual Federal grants to the New York state government by $8.2 billion.

$5.4 billion per year in lost funding for Medicaid.

$274 million per year in lost highway trust fund grants.

$535 million per year in lost funding for welfare (AFDC).

$1.9 billion per year in lost funding for education, job training, the environment, housing, and other areas.

New York would have to increase state taxes by 17.4 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the New York state government by $11.2 billion.

$7.5 billion per year in lost funding for Medicaid.

$376 million per year in lost highway trust fund grants.

$734 million per year in lost funding for welfare (AFDC).

$2.6 billion per year in lost funding for education, job training, the environment, housing, and other areas.

New York would have to increase state taxes by 23.8 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in New York by $15.2 billion.

$9.4 billion per year in Medicare benefits.

$5.7 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF NORTH CAROLINA

I. A Balanced Budget Amendment would reduce annual Federal grants to the North Carolina state government by $1.7 billion.

$1.0 billion per year in lost funding for Medicaid.

$136 million per year in lost highway trust fund grants.

$95 million per year in lost funding for welfare (AFDC).

$441 million per year in lost funding for education, job training, the environment, housing, and other areas.

North Carolina would have to increase state taxes by 11.1 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the North Carolina state government by $2.3 billion.

$1.4 billion per year in lost funding for Medicaid.

$187 million per year in lost highway trust fund grants.

$130 million per year in lost funding for welfare (AFDC).

$605 billion per year in lost funding for education, job training, the environment, housing, and other areas.

North Carolina would have to increase state taxes by 15.2 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in North Carolina by $4.4 billion.

$2.0 billion per year in Medicare benefits.

$2.4 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF NORTH DAKOTA

I. A Balanced Budget Amendment would reduce annual Federal grants to the North Dakota state government by $229 million.

$105 million per year in lost funding for Medicaid.

$35 million per year in lost highway trust fund grants.

$8 million per year in lost funding for welfare (AFDC).

$81 million per year in lost funding for education, job training, the environment, housing, and other areas.

North Dakota would have to increase state taxes by 19.7 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the North Dakota state government by $314 million.

$144 million per year in lost funding for Medicaid.

$48 million per year in lost highway trust fund grants.

$10 million per year in lost funding for welfare (AFDC).

$111 million per year in lost funding for education, job training, the environment, housing, and other areas.

North Dakota would have to increase state taxes by 27.0 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in North Dakota by $773 million.

$317 million per year in Medicare benefits.

$455 million per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF OHIO

I. A Balanced Budget Amendment would reduce annual Federal grants to the Ohio state government by $2.8 billion.

$1.7 billion per year in lost funding for Medicaid.

$170 million per year in lost highway trust fund grants.

$212 nillion per year is lost funding for welfare (AFDC).

$727 million per year in lost funding for education, job training, the environment, housing, and other areas.

Ohio would have to increase state taxes by 14.4 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the North Dakota state government by $3.9 billion.

$2.4 billion per year in lost funding for Medicaid.

$233 million per year in lost highway trust fund grants.

$290 million per year in lost funding for welfare (AFDC).

$997 million per year in lost funding for education, job training, the environment, housing, and other areas.

Ohio would have to increase state taxes by 19.8 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Ohio by $8.2 billion.

$4.7 billion per year in Medicare benefits.

$3.5 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF OKLAHOMA

I. A Balanced Budget Amendment would reduce annual Federal grants to the Oklahoma state government by $770 million.

$424 million per year in lost funding for Medicaid.

$51 million per year in lost highway trust fund grants.

$51 million per year in lost funding for welfare (AFDC).

$244 million per year in lost funding for education, job training, the environment, housing, and other areas.

Oklahoma would have to increase state taxes by 12.4 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Oklahoma state government by $1.1 billion.

$582 million per year in lost funding for Medicaid.

$70 million per year in lost highway trust fund grants.

$69 million per year in lost funding for welfare (AFDC).

$335 million per year in lost funding for education, job training, the environment, housing, and other areas.

Oklahoma would have to increase state taxes by 17.0 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Oklahoma by $2.9 billion.

$1.3 billion per year in Medicare benefits.

$1.6 billion per year in other spending including housing assistance student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF OREGON

I. A Balanced Budget Amendment would reduce annual Federal grants to the Oregon state government by $706 million.

$342 million per year in lost funding for Medicaid.

$54 million per year in lost highway trust fund grants.

$47 million per year in lost funding for welfare (AFDC).

$263 million per year in lost funding for education, job training, the environment, housing, and other areas.

Oregon would have to increase state taxes by 12.2 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Oregon state government by $969 million.

$469 million per year in lost funding for Medicaid.

$75 million per year in lost highway trust fund grants.

$65 million per year in lost funding for welfare (AFDC).

$361 million per year in lost funding for education, job training, the environment, housing, and other areas.

Oregon would increase state taxes by 16.8 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Oregon by $2.9 billion.

$1.3 billion per year in Medicare benefits.

$1.6 billion per year in other spending including housing assistance, student loans, veteran's benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF PENNSYLVANIA

I. A Balanced Budget Amendment would reduce annual Federal grants to the Pennsylvania state government by $3.1 billion.

$1.8 billion per year in lost funding for Medicaid.

$211 million per year in lost highway trust fund grants.

$178 million per year in lost funding for welfare (AFDC).

$901 million per year in lost funding for education, job training, the environment, housing, and other areas.

Pennsylvania would have to increase state taxes by 12.7 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Pennsylvania state government by $4.2 billion.

$2.4 billion per year in lost funding for Medicaid.

$290 million per year in lost highway trust fund grants.

$244 million per year in lost funding for welfare (AFDC).

$1.2 billion per year in lost funding for education, job training, the environment, housing, and other areas.

Pennsylvania would have to increase state taxes by 17.4 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Pennsylvania by $11.7 billion.

$7.0 billion per year in Medicare benefits.

$4.7 billion per year in other spending including housing assistance student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF RHODE ISLAND

I. A Balanced Budget Amendment would reduce annual Federal grants to the Rhode Island state government by $430 million.

$255 million per year in lost funding for Medicaid.

$42 million per year in lost highway trust fund grants.

$23 million per year in lost funding for welfare (AFDC).

$109 million per year in lost funding for education, job training, the environment, housing, and other areas.

Rhode Island would have to increase state taxes by 21.4 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Rhode Island state government by $590 million.

$350 million per year in lost funding for Medicaid.

$58 million per year in lost highway trust fund grants.

$32 million per year in lost funding for welfare (AFDC).

$150 million per year in lost funding for education, job training, the environment, housing, and other areas.

Rhode Island would have to increase state taxes by 29.3 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Rhode Island by $849 million.

$476 million per year in Medicare benefits.

$373 million per year in other spending including housing assistance student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF SOUTH CAROLINA

I. A Balanced Budget Amendment would reduce annual Federal grants to the South Carolina state government by $1.0 billion.

$644 million per year in lost funding for Medicaid.

$68 million per year in lost highway trust fund grants.

$31 million per year in lost funding for welfare (AFDC).

$260 million per year in lost funding for education, job training, the environment, housing, and other areas.

South Carolina would have to increase state taxes by 14.3 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the South Carolina state government by $1.4 billion.

$883 million per year in lost funding for Medicaid.

$94 million per year in lost highway trust fund grants.

$42 million per year in lost funding for welfare (AFDC).

$357 million per year in lost funding for education, job training, the environment, housing, and other areas.

South Carolina would have to increase state taxes by 19.6 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in South Carolina by $3.0 billion.

$935 million per year in Medicare benefits.

$2.1 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF SOUTH DAKOTA

I. A Balanced Budget Amendment would reduce annual Federal grants to the South Dakota state government by $231 million.

$103 million per year in lost funding for Medicaid.

$39 million per year in lost highway trust fund grants.

$6 million per year in lost funding for welfare (AFDC).

$82 million per year in lost funding for education, job training, the environment, housing, and other areas.

South Dakota would have to increase state taxes by 24.7 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the South Dakota state government by $316 million.

$142 million per year in lost funding for Medicaid.

$53 million per year in lost highway trust fund grants.

$9 million per year in lost funding for welfare (AFDC).

$113 million per year in lost funding for education, job training, the environment, housing, and other areas.

South Dakota would have to increase state taxes by 33.8 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in South Dakota by $792 million.

$281 million per year in Medicare benefits.

$511 million per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF TENNESSEE

I. A Balanced Budget Amendment would reduce annual Federal grants to the Tennessee state government by $1.5 billion.

$989 million per year in lost funding for Medicaid.

$78 million per year in lost highway trust fund grants.

$60 million per year in lost funding for welfare (AFDC).

$411 million per year in lost funding for education, job training, the environment, housing, and other areas.

Tennessee would have to increase state taxes by 19.5 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Tennessee state government by $2.1 billion.

$1.4 billion per year in lost funding for Medicaid.

$107 million per year in lost highway trust fund grants.

$82 million per year in lost funding for welfare (AFDC).

$563 million per year in lost funding for education, job training, the environment, housing, and other areas.

Tennessee would have to increase state taxes by 26.7 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Tennessee by $5.3 billion.

$1.9 billion per year in Medicare benefits.

$3.4 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF TEXAS

I. A Balanced Budget Amendment would reduce annual Federal grants to the Texas state government by $4.2 billion.

$2.5 billion per year in lost funding for Medicaid.

$340 million per year in lost highway trust fund grants.

$147 million per year in lost funding for welfare (AFDC).

$1.2 billion per year in lost funding for education, job training, the environment, housing, and other areas.

Texas would have to increase state taxes by 14.0 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Texas state government by $5.7 billion.

$3.5 billion per year in lost funding for Medicaid.

$466 million per year in lost highway trust fund grants.

$202 million per year in lost funding for welfare (AFDC).

$1.6 billion per year in lost funding for education, job training, the environment, housing, and other areas.

Texas would have to increase state taxes by 19.2 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Texas by $14.8 billion.

$5.9 billion per year in Medicare benefits.

$8.9 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF UTAH

I. A Balanced Budget Amendment would reduce annual Federal grants to the Utah state government by $422 million.

$190 million per year in lost funding for Medicaid.

$49 million per year in lost highway trust fund grants.

$22 million per year in lost funding for welfare (AFDC).

$160 million per year in lost funding for education, job training, the environment, housing, and other areas.

Utah would have to increase state taxes by 11.4 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Utah state government by $579 million.

$261 million per year in lost funding for Medicaid.

$68 million per year in lost highway trust fund grants.

$31 million per year in lost funding for welfare (AFDC).

$220 million per year in lost funding for education, job training, the environment, housing, and other areas.

Utah would have to increase state taxes by 15.6 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Utah by $1.5 billion.

$323 million per year in Medicare benefits.

$1.2 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF VERMONT

I. A Balanced Budget Amendment would reduce annual Federal grants to the Vermont state government by $207 million.

$89 million per year in lost funding for Medicaid.

$37 million per year in lost highway trust fund grants.

$13 million per year in lost funding for welfare (AFDC).

$68 million per year in lost funding for education, job training, the environment, housing, and other areas.

Vermont would have to increase state taxes by 17.4 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Vermont state government by $284 million.

$122 million per year in lost funding for Medicaid.

$51 million per year in lost highway trust fund grants.

$18 million per year in lost funding for welfare (AFDC).

$93 million per year in lost funding for education, job training, the environment, housing, and other areas.

Vermont would have to increase state taxes by 23.9 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Vermont by $413 million.

$206 million per year in Medicare benefits.

$207 million per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF VIRGINIA

I. A Balanced Budget Amendment would reduce annual Federal grants to the Virginia state government by $1.0 billion.

$490 million per year in lost funding for Medicaid.

$72 million per year in lost highway trust fund grants.

$49 million per year in lost funding for welfare (AFDC).

$393 million per year in lost funding for education, job training, the environment, housing, and other areas.

Virginia would have to increase state taxes by 8.2 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Virginia state government by $1.4 billion.

$673 million per year in lost funding for Medicaid.

$99 million per year in lost highway trust fund grants.

$68 million per year in lost funding for welfare (AFDC).

$539 million per year in lost funding for education, job training, the environment, housing, and other areas.

Virginia would have to increase state taxes by 11.2 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Virginia by $8.3 billion.

$1.9 billion per year in Medicare benefits.

$6.4 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF WASHINGTON

I. A Balanced Budget Amendment would reduce annual Federal grants to the Washington state government by $1.3 billion.

$730 million per year in lost funding for Medicaid.

$117 million per year in lost highway trust fund grants.

$126 million per year in lost funding for welfare (AFDC).

$346 million per year in lost funding for education, job training, the environment, housing, and other areas.

Washington would have to increase state taxes by 8.4 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Washington state government by $1.8 billion.

$1.0 billion per year in lost funding for Medicaid.

$161 million per year in lost highway trust fund grants.

$172 million per year in lost funding for welfare (AFDC).

$474 million per year in lost funding for education, job training, the environment, housing, and other areas.

Washington would have to increase state taxes by 11.5 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Washington by $4.9 billion.

$1.5 billion per year in Medicare benefits.

$3.4 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF WEST VIRGINIA

I. A Balanced Budget Amendment would reduce annual Federal grants to the West Virginia state government by $765 million.

$488 million per year in lost funding for Medicaid.

$45 million per year in lost highway trust fund grants.

$32 million per year in lost funding for welfare (AFDC).

$199 million per year in lost funding for education, job training, the environment, housing, and other areas.

West Virginia would have to increase state taxes by 20.6 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the West Virginia state government by $1.0 billion.

$670 million per year in lost funding for Medicaid.

$62 million per year in lost highway trust fund grants.

$44 million per year in lost funding for welfare (AFDC).

$273 million per year in lost funding for education, job training, the environment, housing, and other areas.

West Virginia would have to increase state taxes by 28.3 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in West Virginia by $1.7 billion.

$824 million per year in Medicare benefits.

$835 million per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF WISCONSIN

I. A Balanced Budget Amendment would reduce annual Federal grants to the Wisconsin state government by $1.3 billion.

$694 million per year in lost funding for Medicaid.

$111 million per year in lost highway trust fund grants.

$96 million per year in lost funding for welfare (AFDC).

$349 million per year in lost funding for education, job training, the environment, housing, and other areas.

Wisconsin would have to increase state taxes by 10.3 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Wisconsin state government by $1.7 billion.

$952 million per year in lost funding for Medicaid.

$153 million per year in lost highway trust fund grants.

$132 million per year in lost funding for welfare (AFDC).

$479 million per year in lost funding for education, job training, the environment, housing, and other areas.

Wisconsin would have to increase state taxes by 14.2 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Wisconsin by $3.4 billion.

$2.1 billion per year in Medicare benefits.

$1.3 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF WYOMING

I. A Balanced Budget Amendment would reduce annual Federal grants to the Wyoming state government by $218 million.

$55 million per year in lost funding for Medicaid.

$38 million per year in lost highway trust fund grants.

$8 million per year in lost funding for welfare (AFDC).

$118 million per year in lost funding for education, job training, the environment, housing, and other areas.

Wyoming would have to increase state taxes by 18.7 percent across-the-board to make up for the loss in grants.

II. A Balanced Budget Amendment combined with the ''Contract with America'' tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Wyoming state government by $300 million.

$75 million per year in lost funding for Medicaid.

$52 million per year in lost highway trust fund grants.

$10 million per year in lost funding for welfare (AFDC)

$162 million per year in lost funding for education, job training, the environment, housing, and other areas.

Wyoming would have to increase state taxes by 25.7 percent across-the-board to make up for the loss in grants.

III. A Balanced Budget Amendment and the ''Contract with America'' tax cuts would reduce other annual Federal spending in Wyoming by $393 million.

$131 million per year in Medicare benefits.

$262 million per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments.

BALANCED BUDGET AMENDMENT—ESTIMATION OF STATE-BY-STATE EFFECTS

The following description provides information on the estimation and allocation of spending cuts under two scenarios that achieve a balanced budget by FY2002 without tax increases and with Social Security and defense excluded from spending reductions. The second scenario differs from the first in that it also incorporates a set of deficit-increasing provisions in the Contract with America (CWA). These provisions are all tax reductions except for a spending increase associated with relaxation of the Social Security earnings test. No specific defense spending increases discussed in the CWA are reflected in the simulations.

Step 1: Derive size of aggregate budget cuts

Congressional Budget Office (CBO) baseline estimates of the Federal deficit were taken from Table 4 of the preliminary Economic and Budget Outlook dated January 5, 1995. Equal yearly deficit reductions, beginning in FY1996, were then computed which were sufficient to achieve a balanced budget by FY2002.

The required cuts take into account the interest savings that would result from lower deficits and debt; a 6.7 percent rate of interest was assumed throughout based on long-term CBO projections of the 10-year Treasury note rate. The estimates are static in nature and reflect no macroeconomics feedback—e.g., lower economic growth resulting from the contractionary effects of deficit reduction or higher growth resulting from lower tax rates. Deficit-reducing spending and tax changes of $248 billion, or 22.5 percent of noninterest, non-Social Security spending, would have to be made in FY2002 to achieve a balanced budget. The required cumulative deficit reduction is approximately $1.3 trillion, of which about $0.2 trillion occurs through interest savings.

A similar procedure was used to derive required spending reductions with the CWA's tax cut and Social Security spending amounts (and associated interest carrying costs) added to the CBO deficit baseline. Estimated revenue effects of the proposed tax reductions were obtained from the Treasury Department, Office of Tax Analysis. Annual costs of the proposed relaxation of the Social Security earnings test were taken from a National Economic Council staff working paper, September 20, 1994. The required percentage spending reduction is 30.9 percent in this scenario. The aggregate required cuts in total spending in FY2002 total $340 billion.

Step 2: Derive allocation parameters for states

Grants to state and local governments, as well as Social Security, defense, and other Federal spending, are reported in Federal Expenditures by State for Fiscal Year 1993. Our analysis divides intergovernmental grants into four components. Aid to Families with Dependent Children, Medicaid, highway trust fund grants, and all Other. It was assumed that all grants in the first three of these categories went directly to state governments. To estimate the local share of the Other category, we used estimates of total 1992 intergovernmental revenues from Federal to local governments in each state, as reported in the August 1994 Census publication Government Finances, 1991–92: Preliminary Report. These state-by-state estimates were divided by the Government Finances estimates of Federal revenues to states and localities combined, less the values of AFDC, Medicaid, and highway grants from the FY1992 edition of Federal Expenditures by State. It should be emphasized that discrepancies between the Government Finances and Federal Expenditures aggregates, resulting from different definitions and sources, make this local vs. state, decomposition of Other grants an imprecise process.

State tax revenues for the average of the 1990 and 1992 fiscal years was also taken from issues of Government Finances. The use of two years at different points in the business cycle was designated to mitigate cyclical influences on projected revenue.

Step 3: Project FY2002 Grants and State Taxes

CBO's projected levels for FY2002 for Social Security, Medicare, and most other major spending categories were taken from the above-mentioned CBO report. For defense spending, the Administration's project of FY2000 defense outlays was inflated by the annual rate of growth to total discretionary spending from FY2000 to FY2002 in the CBO projections.

The projection of grant amounts was also derived from the long-term CBO budget forecast. AFDC grants were projected using the ratio of 2002 to 1993 values of Other Mandatory spending as reported by CBO, respectively, in the January 5 report and on page 37 of The Economic and Budget Outlook: Update dated August 1994. (Unpublished figures on FY1993 Civil Service and military retirement spending were obtained from CBO.) Highway trust fund grants were projected using the ratio of 2002 to 1993 values of domestic discretionary spending; the 2002 value was estimated as estimated total nondefense discretionary spending multiplied by the FY2002 ratio of domestic to the sum of international and domestic discretionary spending in Table 4 of the January 5 report.

The category of Other grants was decomposed into discretionary and mandatory components. The Other mandatory component was defined to include: Agricultural Marketing Service Funds for strengthening markets (Section 32); child nutrition programs; food stamp grants; special milk program; national grasslands payments to counties; social services block grants; foster care and adoption assistance; assistance for legalized aliens; other Administration for Children and Families grants; and Supplemental Security Income grants. These were projected in the same manner as AFDC, while the residual Other discretionary grants were projected in the same manner as highway grants.

Total baseline state taxes were projected to move in proportion to nominal U.S. Gross Domestic Product. The projection of GDP for calendar year 2000 was taken from Table 1 of the CBO January 5 report and increased by three years of assumed 2.3 percent real growth and 2.8 percent increases in the GDP price deflator. The growth in nominal GDP between 1991 and 2002 was converted to a per capita basis. Individual state taxes in FY2002 were then estimated by multiplying 1990–1992 state population growth and the growth in U.S. per capita GDP. State population totals for 2000 and 2010 were drawn from the 1994 Statistical Abstract, and our estimates for 2002 were interpolations of the 2000 and 2010 values.

Step 4: Derive required grant reductions and state tax increases

The percentage reductions in FY2002 grants and other spending components necessary to achieve budget balance were, by assumption, equal to the aggregate rate computed for all nondefense, non-Social Security spending. Finally, the percentage increase in the state tax levels necessary to make up the dollar loss in Federal grants to each state was computed.—Office of Economic Policy, Department of the Treasury, January 11, 1995.

HIGH COST OF A BALANCED BUDGET AMENDMENT

(By Richard Kogan)

Advocates of the Balanced Budget Amendment to the Constitution do not intend to jeopardize the life savings of America's families, or threaten the stability of the nation's banks. As written, however, the amendment could do just that.

Currently, America's savings are safe. The Federal Deposit Insurance Corp. (FDIC) guarantees individual deposits in banks and thrift institutions up to $100,000 per account. Depositors rely on the U.S. government to keep its word, quickly and automatically; if a bank goes broke, the government makes good on deposits. Deposit insurance claims are enforceable in court.

Now look at the Balanced Budget Amendment. It begins, ''Total outlays for any fiscal year shall not exceed total receipts for that fiscal year, unless three-fifths of the whole number of each house of Congress shall provide by law for a specific excess of outlays over receipts by a roll-call vote.'' This deceptively simple concept—that the federal budget must be balanced each eyar—would inadvertently cast doubt over the ''full faith and credit'' of the U.S. government, putting all federal guarantees, including deposit insurance, at risk.

Here's why. During a severe economic downturn, the risk of bank failure is greatest. An economic downturn also produces (or exacerbates) federal budget deficits as tax revenues decline and spending for programs such as unemployment compensation increases. At such time, the government would lack the extra revenues it could need to cover the large costs of rescuing depositors and the banking system. Under current law, deposit insurance claims are automatically paid as needed, regardless of the deficit. Under the amendment, if deposit insurance payments would cause a deficit, might not those payments be prohibited? Don't forget that the measure would amend the Constitution, while deposit insurance and other such guarantees are only statutes.

American banking was not always protected. The Great Depression was so steep—the economy shrank almost 30 percent from 1929 to 1933—in part because there was no deposit insurance. Some lost all their savings. A rumor that a bank was in trouble prompted panic, with depositors rushing to withdraw their savings. Even false rumors caused banks to collapse.

One of President Roosevelt's first acts was to close the banks while Congress enacted deposit insurance. The banks reopened, citizens could redeposit their funds in safety and the economic collapse ended. Deposit insurance became the first and best economic stabilizer. It is one reason that no post-war recession has shrunk the economy more than 3½ percent.

Doesn't the FDIC charge annual fees to banks, building up large balances, which would automatically be available in a banking crisis?

Not after the amendment. It prohibits spending borrowed funds. Incredibly, it also prohibits using accumulated savings; it requires that all federal spending in any fiscal year be covered by that year's revenues. This requirement is like telling a family to finance a new house or a child's college tuition out of that year's wages, no matter how much money the family has in the bank. In this case, the amendment precludes a sudden increase in deposit insurance payments if that increase would cause federal spending to exceed federal revenues in that year, no matter how much the FDIC has ''in the bank.''

There are two possible ways out. First, Congress could raise taxes or cut other spending by enough to offset deposit insurance costs. But the potential size of those payments shows why they could not be easily offset. The recent restructuring of the savings and loan industry required deposit insurance payments of $156 billion over four years, $66 billion in 1991 alone. And the government's deposit insurance guarantee covers private savings of $2.7 trillion. These amounts are too large to be offset by a single year's tax increases or spending cuts.

Second, there is the escape hatch. By a three-fifths vote, Congress could choose to pay deposit insurance and allow deficit spending. But it is hardly automatic that Congress would respond in a timely manner (or at all), even in a pending crisis. In August 1941 Congress barely mustered a majority to extend the draft, even though Hitler had already marched across half of Europe. In the current debate, neither the Senate nor the House could find a majority to write into the amendment an exception for recessions. Finding three-fifths majorities in each House of Congress is significantly more difficult. By the time Congress fully understands the scope of a developing banking crisis and gathers the three-fifths vote (if it can), the problem would have grown, perhaps to a dangerous degree.

Taking the amendment at face value, then, legal commitments made by the U.S. government would no longer be binding. When economic troubles arose and the banking system, depositors and the economy as whole most needed it, those ''commitments'' could prove ephemeral.

[From the New York Times, Feb. 21, 1995]

THE PITFALLS OF A BALANCED BUDGET: DISMANTLING A DECADES-OLD SYSTEM FOR SOFTENING RECESSIONS

(By Louis Uchitelle)

The unemployment rate, which peaked at 7.7 percent after the last recession, could have reached 9 percent if a balanced budget has been required, Government and private economists estimate. And a laid-off worker who collected $12,000 in unemployment pay might have received only $7,000 or so.

Such estimates of the potential economic impact are not emphasized very much, however, in the debate over the balanced budget amendment. So far, the battle has focused on its value as a tool to shrink government or to discipline spending. But if the amendment is enacted, the side effect would be huge: a system that has softened recessions since the 1930's would be dismantled.

''There are risks associated with a balanced budget, and I don't think anyone should deny them.'' said William Hoagland, the Republican staff director for the Senate Budget Committee. ''Nevertheless, the debate on the floor has been dominated by what we must do to get the budget in balance, not what the risks of a balanced budget amendment might be.''

Mr. Hoagland expressed surprise that the biggest risk—deeper, more painful recessions—had not figured significantly in the debate, although Senator Daniel P. Moynihan, Democrat of New York, and Senator Paul S. Sarbanes, Democrat of Maryland, had called attention to this risk in several floor speeches. ''The reason must be that the advocates of a balanced budget see the benefits to the economy as far outweighing the negatives associated with cyclical downturn,'' Mr. Hoagland said. ''That must be what is going on.''

No benefit seems to hold more sway than the view that the amendment would shrink the Federal Government by restricting its power to tax and to spend. A dollar not collected and spent by the Government is a dollar left in the hands of the private sector. And the private sector invariably invests money more efficiently than the Government, this view holds.

THE ''AUTOMATIC STABILIZERS'' OF THE ECONOMY RELY ON DEFICIT SPENDING

''The people have spoken clearly that government is too big and we need to do something about it,'' said Robert Hall, a Stanford University economist who favors smaller government. ''The problem is that the balanced budget amendment is a heavy-handed solution and risky.''

The biggest risk is to the nation's ''automatic stabilizers,'' which have made recessions less severe than they were in the century before World War II. The stabilizers, an outgrowth of Keynesian economics, work this way: When the economy weakens, outlays automatically rise for unemployment pay, food stamps, welfare and Medicaid. Simultaneous, as incomes fall, so do corporate and individual income tax payments. Both elements make more money available for spending, thus helping to pull the economy out of its slump.

The problem, of course, is that the stabilizers make the deficit shoot up—by roughly $65 billion as a result of the 1990–1991 recession, according to the Treasury Department. Under the balanced budget amendment, Congress and the Administration would be required to get the budget quickly back into balance, through spending cuts, higher tax rates, or a combination of the two—perhaps even in the midst of a recession.

''The Government would become, almost inevitably, a destabilizer of the economy rather than a stabilizer,'' said Joseph Stiglitz, a member of the President's Council of Economic Advisers. Many economists share that view.

Absent the stabilizers, every 73-cent drop in national income in the last recession would have become a $1 drop, said Bradford DeLong, deputy assistant Secretary of the Treasury, who as a Harvard economist studies this dynamic and recently updated his research. Of the 27 cents in cushioning, 20 cents came from falling tax revenue and 7 cents from the higher spending.

Economists outside the Government offer similar estimates. Ray Fair of Yale University, for example, said for every $10 billion decline in national income during a recession, the deficit rises by $2 billion, as the stabilizers kick in with their higher spending and lower tax revenue.

''We ought not to give up the stabilizers,'' Professor Fair said. ''That would be very Draconian.''

Nearly every economist agrees that the American economy requires, if not stabilizers, some substitute method for offsetting recessions in an era of balanced budgets. And those who favor the amendment are no exception.

''It would be a disaster to lose the stabilizers,'' said C. Fred Bergsten, director of the Institute of International Economics, who endorses the amendment as a necessary step if the nation is to afford the high cost of Social Security and Medicare for the baby boom generation, which reaches retirement age early in the next century.

Mr. Bergsten notes that the amendment, as now worded, would permit Congress to bring back the stabilizers by a three-fifths vote in both houses. The vote would permit the necessary deficit spending to finance the stabilizers.

While a three-fifths vote is a big hurdle, Mr. Bergsten and others argue that Congress would get used to authorizing the necessary deficits during recessions. Nevertheless, he would prefer a different solution. Once

through the painful process of balancing the budget by 2002, as required by the amendment, then the Government should run budget surpluses in years of strong economic growth and full employment, Mr. Bergsten said.

The surpluses would cover the rising costs of the stabilizers during recessions. ''You could go down to a balanced budget in the hard years, and still give the economy a little stimulus,'' he said.

IS MONETARY POLICY ENOUGH TO BOLSTER THE U.S. ECONOMY IN TOUGH TIMES?

The Congressional Budget Office has estimated that the surplus needed to pay for the stabilizers during a recession as severe as that of 1981–1982, the worst since World War II, would be 1 percent of the national income during robust periods of full employment, and perhaps as much as 1.5 percent.

That would mean an annual surplus in today's dollars of $70 billion to $100 billion, rather than the nearly $200 billion or so in annual deficits expected under current policy. Most of the $200 billion is to help pay for programs like highway construction and new weaponry that have fixed costs and do not fluctuate with the ups and downs of the economy, as unemployment pay, food stamps, tax revenues and the other stabilizers do.

Some economists—including Milton Friedman, a Nobel laureate in economics who is with the Hoover Institute—hold that the stabilizers, despite the ballyhoo, are no longer so important. The Federal Reserve, through monetary policy, can more than offset their disappearance by lowering interest rates an extra notch or two to give the economy an additional stimulus in hard times.

''I have looked at many episodes in the world in which monetary policy went one way and fiscal policy the other, and I have never found a case in which monetary policy did not dominate,'' Mr. Friedman said. He favors a balanced budget amendment that would shrink the Federal Government by putting a ceiling on the tax increases that could be enacted to balance the budget.

But the Clinton Administration and even Federal Reserve officials question whether monetary policy could alone handle the task of reviving an economy in recession. The stabilizers, they note, kick in automatically—before the Federal Reserve and most economists often realize that the economy is falling toward recession.

A recession might be well along and getting deeper before the Fed recognized the problem and began to drop rates. The lower rates, in turn, would not be felt in the economy for a year to 18 months, the traditional lag. And even if the Fed acted quickly enough, the economy would behave in new and different ways without the stabilizers.

''My guess is that we would get it wrong the first time we went into recession, making that recession much deeper than it should be,'' said a Federal Reserve official, who spoke on condition that he not be identified. ''But we would learn from that experience and do a better job thereafter.''

[From Newsweek, Jan. 30, 1995]

CORRUPTING THE CONSTITUTION: BALANCE THE BUDGET, BUT NOT BY AMENDMENT

(By Robert J. Samuelson)

The Constitution is not a sledgehammer. It embodies broad principles of government and enduring national values. As such, it commands deep public respect and even reverence. There's a temptation to think that its power and mystique can bludgeon public opinion into convenient consensus on hard issues. It can't, and the exercise shouldn't be tried. The balanced-budget amendment—to be debated by Congress this week—promises just such a popular conversion. The proposal is a very bad idea.

You should not confuse balancing the budget, which in general is desirable, with the undesirability of using the Constitution to do it. Just because the Constitution requires a balanced budget does not mean that the budget will be balanced. If an amendment were regularly flouted, then the budgetary impasse would become a constitutional crisis. ''The first principle of a conservative should be: don't muck with the Constitution,'' says constitutional scholar Robert Goldwin of the American Enterprise Institute.

By this standard, Congress has lots of Republicans but few conservatives. The amendment's advocates essentially embrace a theory of immaculate consensus. No one wants to confront the inconsistencies of public opinion—the simultaneous desires for lower taxes, higher spending and no tampering with social security—that cause budget deficits. Instead, an amendment is supposed to dissolve these inconsistencies. Congress can't control ''its deficit addiction without the strong therapy of a constitutional mandate to make it get clean and sober,'' proclaims Orrin Hatch, chairman of the Senate Judiciary Committee.

All recent major amendment proposals have been similarly inspired; they aimed to pervert the Constitution by using it to settle passionate public disputes. The school-prayer, ''equal rights'' and anti-abortion amendments all fit this description. None succeeded, because the Founders did not intend for the Constitution to be so used. They set high hurdles for amendments (two-thirds congressional approval, then ratification by three quarters of the states). Although Prohibition—the 18th Amendment—overcame these barriers, it showed the folly of using the Constitution for consciousness-raising.

Congress passed it in 1917 in a ''mood of Spartan idealism'' created by World War I, wrote historian Frederick Lewis Allen. If the war would ''end all wars,'' then Americans could imagine an ''era of efficient sobriety!'' The actual result was rampant lawlessness: bootleggers, speak-easies and gangsterism. Congress was complicit because—caught between demands for tougher enforcement and for repeal—it did neither. Finally, the amendment was repealed in 1933.

The plain lesson that the Constitution can't singlehandedly impose consensus is now ignored. The amendment's proponents echo the simple moralisms of prohibitionists; note Senator Hatch's identical imagery (''get clean and sober''). The reality is bound to be grittier. Consider three broad possibilities and their probability if Congress passes the amendment.

It's ratified by the states—and it works. Intimidated, Congress and the president end programs (farm subsidies, public TV) and trim entitlements (social security, Medicare). Because a deficit remains, they also raise taxes. Finally, they pass long-term social-security and Medicare reforms to prevent huge deficits when baby boomers retire. (Probability, generously: 20 percent.)

It isn't ratified. Congressional passage triggers a lobbying and TV blitz aimed at state legislatures by groups that feel threatened (the elderly, farmers, the poor, etc.). State and local officials realize the amendment could be costly; less federal spending on highways, health care and schools will mean more pressure for local spending. (Probability: 40 percent.)

It's ratified—and doesn't work as advertised. Congress balks at visible tax increases or entitlement cuts. Or it regularly votes to run deficits by a three-fifths majority, as the amendment permits. Or it resorts to gimmicks to spend outside ''the budget.'' The amendment has no enforcement mechanism: courts refuse to intervene, because budget choices are deemed ''political'' matters. (Probability: 40 percent.)

Until the 1960s, Americans valued balanced budgets. The respect was rooted in Jeffersonian beliefs that budget balancing checked the ''corruption'' of government, writes political scientist James Savage of the University of Virginia.* Deficits were tolerated in wars and depressions. But the need for discipline was seen, and budgets were balanced in good times. This consensus was destroyed by Keynesian doctrines that deficits could spur the economy. Now, the need is to reverse this: to de-emphasize the budget's use as an economic tool, and to restore a balanced budget as a way of defining what government should and shouldn't do.

BIPARTISAN HYSTERIA

Unfortunately, the balanced-budget amendment serves as an excuse to evade specifics. At present, balancing the budget is not so hard. The deficit equals about 2.5 to 3 percent of national income. Americans will not starve if farm subsidies stop; the elderly will not become destitute if cost-of-living adjustments are trimmed; the economy will not collapse if taxes are raised modestly. Changes are horrific only if any spending cuts or tax increases are considered intolerable. The harder issues involve adjusting programs for baby boomers' retirement.

Yet, budget hysteria is bipartisan. House Majority Leader Richard Armey won't say how Republicans would balance the budget because ''once members of Congress know exactly, chapter and verse, the pain . . . to get to a balanced budget, their knees will buckle.'' President Clinton condemns GOP silence. But he has not proposed a balanced budget; all the White House plugs is ''deficit reduction.'' Worse, it tries to terrify people about the harsh tax hikes or spending cuts needed to balance the budget.

The resort to the Constitution is a reckless gambit that could backfire in many ways. It postpones necessary choices and, perversely, could make the choices harder by mobilizing threatened groups against ratification. But mostly it assaults our political culture. The Constitution stands above ordinary disputes; that's why it's respected. The amendment imperils this. Instead of elevating the budget debate, it may lower the Constitution.

[From the New York Times, Jan. 24, 1995]

STATE OF THE UNION? SOMEDAY, PARALYZED

(By Paul Starr)

PRINCETON, N.J. When the Framers replaced the Articles of Confederation with the Constitution, they gave the Government unqualified and unimpeded fiscal powers. Today, a new Republican majority in Congress proposes to overturn that decision. Speaker Newt Gingrich says he intends to reverse the growth of the Federal Government's role in society since 1932. The legacy he challenges, however, is not only that of Franklin D. Roosevelt but more fundamentally that of Alexander Hamilton.

As President Clinton delivers his State of the Union Message tonight, many Americans will wonder about the fate of particular programs and policies in the new Congress. But the larger question raised by the Republicans is the Government's capacity to act, for they propose not just to shrink programs but to impose a permanent constitutional straightjacket that is likely to paralyze the Government in future crises.

The Constitution is a parsimonious document, unencumbered with detailed policy prescriptions. This restraint expressed confidence in representative government; it left

the people's future representatives free to confront problems the Founders knew they could not anticipate. As Hamilton explains in ''The Federalist'' (No. 30), it was imprudent to set any limit to the new government's taxing power because there was no clear limit to the demands that might be placed upon it. The Constitutional Convention deliberately rejected requirements for supermajorities: impediments to revenue-raising had helped make the Articles of Confederation unworkable.

Today's Republican majority apparently believes it is more capable of making fiscal policy for future generations than were the Founding Fathers. It seeks to prescribe a balanced-budget amendment, to require a three-fifths supermajority for tax increases and to prohibit the Government from imposing requirements on the states except when it assumes 100 percent of the costs.

These measures are frankly intended to disable a Government that many Americans say they no longer trust. Yet those measures severely weaken the Government's capacity to achieve any purpose. They hand weapons to minorities to obstruct majorities: a minority in either house would be able to impede preparations for national defense as well as spending on the poor.

If in the pursuit of a balanced budget in the year 2002, we cut Medicare and social programs and provoked an inevitable angry reaction, it would be all the harder to find money for purposes that conservatives prefer, whether ''Star Wars'' defense systems, more prisons or intensified border patrols.

The Government's capacity to act is a resource as much for conservative as for liberal purposes. So those who are planting a time bomb under the welfare state may see it explode in their own faces.

The comeuppance could be much more serious for the nation than for any party. The dangers would likely be greatest in a recession. If revenue fell along with economic activity and if three-fifths of Congress could not agree to run a deficit, the Government would be forced to aggravate the downturn by cutting public expenditures as well—a recipe for turning recessions into depressions.

The Pentagon is committed to maintaining forces prepared to fight two wars simultaneously, but a nation with weakened fiscal powers is much less capable of sustaining such commitments. Our enemies would understand this and act accordingly.

Some critics may dismiss these as empty worries. After all, the amendment, if passed in time, would not require a balanced budget until 2002. But seven years come soon enough. Concerns about the amendment are empty only if the amendment itself is empty of force.

The requirements for supermajorities are the most dangerous element in the Republicans' plan. But even if they reduced voting requirements to an absolute majority of members of Congress—as many Democrats prefer—it would give undue constitutional force to the norm of budget balancing.

Denying the Government the routine power to borrow is a surrender to the medieval view of debt that continues to shape popular attitudes. The introduction of credit cards almost three decades ago prompted overwhelming disapproval in public opinion surveys; meanwhile, Americans got the cards in droves.

There has never been a time—not even during the New Deal—when public opinion surveys failed to register overwhelming disapproval of government deficits. Yet Americans' disapproval of deficits ought to be taken as a mandate for constitutional prohibition about as seriously as their disapproval of credit cards was taken as grounds for outlawing charge accounts. Credit cards have not doomed the economy, nor will Federal deficits.

The problem of the deficit is its long-term rate of growth, which is due almost entirely to projected health care costs. There are no more grounds for making a zero deficit a constitutionally required objective than for denying corporations or families the ability to borrow. Federal deficits of 1 or 2 percent of the gross domestic product are entirely manageable. If the outstanding debt is inflation-adjusted annually, deficits of that scale typically do not amount to a real increase in the debt anyway.

Judge Robert Bork opposes the amendment as unworkable. So do other jurists, who think that if Congress used accounting gimmicks to portray an unbalanced budget as balanced, the courts would have no competence to enforce the amendment. And some state officials worry that the burdens of Federal cutbacks would be passed on to them. If the Senate does not derail the amendment, such objections may well do so.

The original rationale for constitutional parsimony still stands. We will never know enough about the future to predict the tests that democratic government will face. More than 200 years of American history should assure us that the Republic not only can survive without constitutionally imposed fiscal restrictions, it has been better off without them.

If the Constitution had required a balanced budget, many members of Congress would not sit there today: for one thing, Thomas Jefferson could never have completed the Louisiana Purchase.

Hamilton's legacy of unimpeded fiscal power has been crucial to a system of government that has brought us through wars, depressions and natural calamities to an unchallenged position as the strongest nation on earth.

During the Depression, World War II and the cold war, there was a ready-made answer to questions about why we needed a strong Federal Government. The crisis of Government capacity has erupted today in part because there is no longer any shared sense of the Government's overriding mission. But depressions and wars have not been banished forever; rules we adopt now must be good when the world turns bad. Constitutionalizing fiscal policy is bad for the Constitution and bad for fiscal policy. It would make a mockery of one or a failure of the other, or both.

[From the Washington Post, Jan. 22, 1995]

ANY WAY ITS PROPONENTS SLICE IT, BALANCED-BUDGET AMENDMENT IS BALONEY

(By Hobart Rowen)

The case against a constitutional amendment to balance the budget is overwhelming. It has been hyped by Democrats and Republicans alike as the only way to force reluctant congressmen to make tough decisions, and there is no doubt that a large segment of the public has come to believe this propaganda.

But the truth is that an amendment to the Constitution for this purpose is bad economics, bad budget policy and bad constitutional policy. By itself, such an amendment would cut neither a dollar nor a program from the federal budget. As Office of Management and Budget Director Alice S. Rivlin told the Senate Judiciary Committee on Jan. 5, ''most of all, it evades the hard choices needed to achieve real deficit reduction.''

Why is the constitutional amendment bad economics? In an interview, Council of Economic Advisers Chairman Laura D'Andrea Tyson points out that the beauty of the present fiscal system is that it contains automatic stabilizers that moderate economic activity whenever business activity weakens. Thus, when workers lose jobs, unemployment compensation rises and it cushions the slide. If business profits are off, then tax liabilities decline. These events boost the government deficit, thus offsetting to some degree the decline in the private sector.

''But the balanced budget amendment would take away these automatic stabilizers when the economy is slowing down,'' Tyson said. It would force the government to raise taxes or cut spending to cover the increasing deficit that a slowing economy was generating. Rivlin puts it this way: ''Fiscal policy would exaggerate, rather than mitigate, swings in the economy. Recessions would tend to be deeper and longer.''

Meanwhile, the House Republican version of the amendment wrongly (and possibly unconstitutionally) requires a three-fifths majority of each house of Congress to increase revenue, run budget deficits or increase the public debt. There is supposed to be a safety valve to permit a deficit in time of real economic weakness. But who in Congress is a good enough forecaster to sense when the safety valve should be opened? As Rivlin said, in all likelihood, ''the damage would be done long before we recognize that the economy is turning down.''

Why would the amendment also be bad constitutional policy? Not only would it put fiscal policy, as outlined above, in a straitjacket, it would denigrate the document that deals with the big issues—individual rights, the system of separation of powers, the ultimate guarantor of our system of liberties in effect since 1776. It would force the courts to adjudicate disputes certain to arise.

Meanwhile, what are the hard choices being avoided? The Republicans who are pushing the ''Contract With America'' freely concede that to balance the budget by the year 2002, as called for by the amendment, would cost $1.2 trillion in cuts in the various big entitlement programs—Social Security, Medicare, Medicaid and other pensions. But they aren't prepared to make them. Rep. Richard K. Armey of Texas, House majority leader, said forthrightly that if members of Congress understood the full dimension of what is involved, ''they would buckle at the knees.''

But wait, there's more than $1.2 trillion involved: Because of the new tax cuts and other ''reforms'' proposed in the Republican ''Contract,'' there is an additional $450 million that would have to be found by 2002—making a net reduction of $1.65 trillion.

But the story isn't over—and this is the most significant missing piece.

The bland assumption is that if somehow a miracle is accomplished—the huge $1.65 trillion cuts are made to balance the budget by 2002—the budget will continue to be in balance. Not so! The dirty little secret is that within a few years after 2002, as the Kerry-Danforth entitlement commission report showed, the workplace demographics begin to explode, and with that, the budget deficit. Fewer workers in the labor force supporting Social Security pensioners will drive the Social Security trust fund deep into the red. Once again, the budget will be unbalanced, perhaps more so than before—and the game must start over again.

Clearly, the balanced-budget amendment is bad business. Congress should reconsider the whole plot. The real goal, in the first place, should not be to balance the budget but to balance the economy. The deficit needs to be cut back sharply, but to aim at a balance in 2002 or 2012 is self-defeating. There will be some years ahead when the nation may need to run a deficit—and it shouldn't be afraid to make such decisions.

The need now is to put aside the gimmickry, forget the constitutional amendment and for the Clinton administration and the Republican Congress to attend to business. A little maturity, please!

[From the New York Times, Feb. 27, 1995]

UNBALANCED AMENDMENT

Tomorrow's vote in the Senate on the balanced-budget amendment is crucial for the Republican agenda to chop Government programs into bits. The outcome is also crucial to the nation because the pernicious amendment would do enormous fiscal damage. Proponents are alarmingly within three votes of winning.

The core of the amendment would require the Government to balance its books unless three-fifths of the House and Senate vote to run a deficit. To the wavering Democrats—John Breaux of Louisiana, Sam Nunn of Georgia, Wendell Ford of Kentucky, and Kent Conrad and Byron Dorgan of North Dakota—here are five unassailable reasons to vote no.

UNNECESSARY

Federal deficits have indeed been too high. That poses a threat that borrowing will siphon savings away from productive private investments.

But the fact that borrowing must be contained does not imply it ought to be eliminated—any more than family borrowing, to buy a house or pay college tuition, need be eliminated. A prudent rule would keep Federal debt growing less quickly than incomes. This rule would justify deficits of about $200 billion a year, close to current levels.

MISLEADING

Proponents claim the amendment would protect future generations against ruinous interest payments. True, today's children will owe taxes when they grow up to pay interest on Federal debt. But proponents ignore the fact that the tax payments will flow right back to these children as owners of Government bonds.

UNENFORCEABLE

Because key terms of the amendment—like outlays and receipts—are undefined, Congress will be able to manipulate and evade. Can Congress create independent agencies or find other ways to spend and borrow off the Government books? A Senate committee has already written into the legislative record, used to guide future court decisions, that the Tennessee Valley Authority would be exempt from the amendment. It should take lawyers five minutes to stretch whatever ''principle'' guides that exception to scores of other Government programs.

The amendment also fails to provide an enforcement mechanism. I might simply become an empty gesture or, worse yet, the courts might step in to tell Congress how much it should tax and where it should spend.

IRRATIONAL

Federal bookkeeping lumps ordinary spending with long-term public investments. Congress, forced by the amendment to cut quickly, would go after hugely expensive, though vitally important, investments, such as scientific research, costly laboratories and equipment, job training or other investments that would not produce benefits for years, if not decades.

RECKLESS

When the economy slows, tax revenues fall off and spending on unemployment insurance and food stamps rises. This automatic rise in the deficit, by triggering spending, serves to mitigate the slowdown. But under the proposed amendment, Congress could easily turn a mild downturn into something worse. Unless a three-fifths supermajority saves the day, Congress would have to raise taxes and cut spending in a slow economy—the opposite of responsible stewardship.

Take another unintended consequence. When savings and loans went bankrupt during the 1980's, the Federal Government bailed out depositors with borrowed money, thereby preventing a banking panic. But under the proposed amendment, the Government could not react instantly unless a supermajority in Congress approved.

The balanced-budget amendment appeals to taxpayers who demand that the Government spend their money wisely. But Senators Nunn, Ford, Conrad, Dorgan and Breaux need to recognize that this honorable sentiment cannot be wisely embedded into the Constitution.

Mr. BYRD. Mr. President, I yield the floor.

Mr. HATCH. Mr. President, I notice the Senator from Massachusetts is here. If I can, I would like to make a few comments.

Mr. President, the gist of the amendments of the distinguished Senator from West Virginia numbered 252 and 254 is that the majority provisions of House Joint Resolution 1 are undemocratic and alter the fine balance in the Constitution between the branches of Government.

More specifically, as I understand the distinguished Senator from West Virginia, he contends—and I think in the past has eloquently debated the balanced budget amendment—that Congress' control over taxing, spending, and borrowing is diluted by restraints placed on such powers by supermajority requirements of the amendment. According to the distinguished Senator from West Virginia, the democracy reflected by the present majority requirement of Congress would be dealt a blow if this amendment passes.

Naturally, I disagree. The balanced budget amendment furthers the purpose and structure of the Constitution. Indeed, the amendment goes to the very heart of the hope of the Framers of the Constitution for the constitutional system, a system that would protect individual freedom and restrain the size and power of the Federal Government.

In the latter half of this century, however, the intention of the Framers has been betrayed by Congress' own inability to control its spending habits. Passage and ratification of the balanced budget amendment would restore the constitutional Framers' promises of liberty and what the Framers called our republican form of government.

Mr. President, let me first say what the modern day crisis is. Our Nation is faced with the worsening problem of rising national debt and deficits and the increased Government use of capital that would otherwise be available to the private sector to create jobs or to invest in our future. Increased amounts of capital are being wasted on merely financing the debt through spiraling interest costs. This problem presents risk to our long-term economic growth and endangers the well-being of our elderly, our working people, and especially our children and our grandchildren. The debt burden is a mortgage on their future.

Mr. President, the time has come for a solution strong enough that it cannot be evaded for short-term gain. We need a constitutional amendment or requirement to balance our budget. House Joint Resolution 1, the consensus balanced budget amendment, is that solution. It is reasonable. It is enforceable. It is necessary to force Congress to get our fiscal house in order. It not only furthers the economic welfare of our Republic, it fosters the Constitution's purpose of protecting liberty through the framework of limited government.

James Madison, in explaining the theory undergirding the Government he helped to create, had this to say about government and human nature:

> Government [is] the greatest of all reflections on human nature. If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government that is to be administered by men over men, the great difficulty lies in this: You must first enable the government to control the governed; and in the next place oblige it to control itself. A dependence on the people is no doubt the primary control on government; but experience has taught mankind the necessity of auxiliary precautions.

Now, Mr. President, we are here to debate an auxiliary precaution, House Joint Resolution 1, proposing an amendment to the Constitution of the United States to require a balanced budget, because our recent history has shown that Congress is not under control and will not bring spending under control without such a mechanism being placed into the Constitution.

The balanced budget amendment helps restore two important elements in the constitutional structure: limited government and an accountable, deliberative legislative assembly, both of which are vital to a free and vibrant constitutional democracy.

Deliberative assembly—the essence of whose authority is, in Alexander Hamilton's words, ''to enact laws, or in other words to prescribe rules for the regulation of society'' for the common good—was considered by the Framers of the Constitution the most important branch of the Government because it reflected the will of the people. Yet, as the makers of laws, it was considered the most powerful and the one that needed to be guarded against the most.

Recognizing that in republican government the legislative authority necessarily predominates and to prevent elective despotism, James Madison, the father of the Constitution, recommended that the Philadelphia Convention adopt devices in the Constitution that would safeguard liberty. These include bicameralism, separation of powers and checks and balances, a qualified executive veto, limiting congressional authority through enumerating its powers, and, of course,

the election of legislators to assure accountability to the people.

However, in the late 20th century, our century, these constitutional processes that Madison termed auxiliary precautions have failed to limit the voracious appetite of Congress to legislate in every area of private concern, to invade the traditional bailiwick of the States, and consequently, to spend and spend to fund these measures until the Government has become functionally insolvent and the economy placed in jeopardy. Congress has been mutated from a legislative assembly deliberating the economic interests into the playground of special interests.

The balanced budget amendment, Mr. President, will go a long way toward ameliorating this wrong. It will create an additional constitutional process, an auxiliary precaution, if you will, that will bring back legislative accountability to the constitutional system.

The balanced budget amendment process accomplishes this by making Federal deficit spending significantly more difficult. Significantly, it advances liberty by making it more difficult for the Government to fund overzealous legislation and regulation that invades the private lives of citizens.

According to Prof. Harvey Mansfield, Jr., of Harvard, in his scholarly book, ''The Taming of the Prince,'' the real genius of our Constitution is that, having placed all power in the hands of its citizenry, the American people consented to restraints on that power. Understanding that direct or pure democracies in history were inherently unstable and fickle, the Framers placed restraints on popular rule and congressional power, what we now call supermajority requirements.

Senator BYRD is this body's expert on these requirements, but we will mention some of them again, that are in the Constitution now. Article I, section 3, the Senate may convict on an impeachment vote of two-thirds; article I, section 5, each House may expel a Member with a two-thirds vote, a supermajority; article I, section 7, a Presidential veto may be overridden by a two-thirds vote of each House, again, a supermajority in each House; article II, section 2, the Senate advises and consents to treaties, again, by a majority of two-thirds; article V, a constitutional amendment requires two-thirds of each House or a constitutional convention can be called by two-thirds of the State legislatures, three-quarters of the State legislatures must ratify any constitutional amendment—all supermajorities; article VII, the Constitution itself required ratification of 9 of the 13 States, again, a supermajority.

This is not a democracy. This is a representative republic. Our Founding Fathers understood the need to have majorities. The 12th amendment requires a quorum of two-thirds of the States in the House to choose a President. A majority of States is required to elect the President. The same requirements exist for the Senate choosing the Vice President; again, a supermajority. The 25th amendment dealing with the President's competency and removal requires that if Congress is not in session within 21 days after Congress is required to assemble, it must determine by a two-thirds vote of both Houses that the President is unable to discharge the duties of his office. Now, all of those are supermajorities. All of those are part of the Constitution now.

Mr. President, it is indeed ironic as we debate a constitutional amendment following a cloture vote, that arguments are being made that mere majorities are more appropriate to fundamental constitutional decisionmaking than supermajorities. We recently voted on ending this debate, and we were scheduled to vote on that again before we entered into an agreement setting a final vote. A substantial majority expressed its desire to end the debate. A three-fifths vote of Senators—that means 60 Senators—must vote to end debate. Is that rule inappropriate in a constitutional debate? Of course not. As a matter of fact, I think we would have had the 60 votes had we gone to cloture the second time. I think that is one reason why the minority agreed to the time agreement that we now have before the Senate.

The Constitution requires that a supermajority approve a constitutional amendment. To pass the balanced budget amendment, we must have 67 Senators vote for it. Is this inappropriate? Or should we allow some number between 26 and 51, or 50 with the Vice President casting the tie-breaking vote to approve the balanced budget amendment? The Constitution requires that three-quarters of the States ratify the balanced budget amendment. Perhaps our majoritarian friends would prefer that some number of States between 26 and 51 ratify the amendment, with the District of Columbia, Puerto Rico, or Guam casting the tie-breaking vote if the States are evenly divided. That is not the Constitution, however. The Constitution provides for a supermajority.

Mr. President, if majority rule were the fundamental principle of our Government, as I have heard some in this debate say, we would not have the Government we do. We would have a unicameral parliamentary system without judicial review and, indeed, without the Bill of Rights or a written Constitution, because each of those features of our Government is an intrusion into the principle of majority rule, and they are certainly not the only examples.

The first amendment does not say Congress shall not abridge free speech unless a fleeting majority wants to. It does not say that Congress shall not interfere with the free exercise of religion or establish religion unless a majority of those present and voting want to. The first amendment takes those options away from even supermajorities of Congress, except through constitutional amendment. Shall we tear up the Bill of Rights and the Constitution because they contain checks on the power of transient majorities? I do not think so.

As I have said, as Thomas Jefferson said, as even Prof. Laurence Tribe has said, the power of transient majorities to saddle minorities or future majorities with debt is the kind of infringement on fundamental rights that deserves constitutional protection. The Framers wished to protect life, liberty and property. They reacted harshly against taxation without representation. As I pointed out throughout this debate, our deficit spending taxes generations which are not now represented. It takes their property and their economic liberty. It is wholly appropriate that we at least increase the consensus of those currently represented to allow them to shackle those who are not—that is, future generations—with the debt, the taxes and the economic servitude that go with citizenship in a country with high national debt.

Opponents of the balanced budget amendment charge that supermajority requirements will create some new kind of sinister bargaining among factions to gain advantage in return for supporting the necessary consensus. This objection strikes me as strange because that kind of negotiation is as old as the legislative process. It happens now in the search for a majority.

Opponents also charge that the balanced budget amendment writes fiscal policy into the Constitution in an inappropriate way. This amendment deals with the structural problem in our fiscal decisionmaking. We unthinkingly spend money we do not have for temporary benefit to our children's long-term harm. But I would note that the 16th amendment allows taxes to be levied by Congress. Is that not fiscal policy in the same sense as the balanced budget amendment? Article I, section 8 allows Congress to collect taxes, duties, imposts and excises, to borrow money and to regulate commerce. Are not these fiscal policy provisions like the balanced budget amendment? In fact, is not the balanced budget amendment simply a process to safeguard against overuse of the article I power to borrow? Article VI adopted the pre-Constitution debts of the Continental Congress. That was certainly a decision of fiscal policy.

Under the balanced budget amendment, majorities will continue to set budget priorities from year to year. Only if a majority attempts to borrow money from future generations to pay for its priorities would there have to be a supermajority vote. This allows the minority to play the conscience of the Nation and to protect future generations from the type of borrowing sprees that we have seen in recent decades.

I would note that those who believe the supermajority vote would be the

rule rather than the exception betray their mental habit of thinking in terms of deficit spending. We must break this habit and make deficit spending the exception instead of the rule. The balanced budget amendment does not require a supermajority to pass the budget, only a budget that is out of balance. The balanced budget amendment creates a positive incentive for current majorities to avoid borrowing to avoid supermajority votes and risking the kind of intrigue opponents say could happen when supermajorities are required. This is wholly appropriate and reasonable to break Congress of its borrowing habit.

Finally, Mr. President, the amendments offered by the Senator from West Virginia would gut the balanced budget amendment by cutting its central provision, the supermajority requirement it places in the way of Congress' deficit spending. If either of these amendments were adopted, the balanced budget amendment would read in essence: ''Congress shall not spend money it does not have unless it wants to.''

Such a balanced budget amendment would be no balanced budget amendment at all. It would be the status-quo, business-as-usual, let-us-keep-rolling-up-the-debt amendment.

This amendment, or other of these similar amendments, is a poison dart aimed at the heart of the last best hope for the fiscal sanity of Congress and our country. I urge that they both be defeated.

Mr. President, it is absolutely clear that to restore the constitutional concept of limited government and its protection of liberty, as well as to restore fiscal and economic sanity, we must pass this balanced budget amendment. We need the supermajority provisions of House Joint Resolution 1—a modern day ''auxiliary precaution'' in Madison's words—to put teeth into the balanced budget amendment, to be a force to end ''business as usual'' here in Congress and, most importantly, to foster the liberty of limited government that the Framers believed to be essential.

Mr. SARBANES. Mr. President, I just very quickly want to address the argument that was advanced by the chairman of the Judiciary Committee in opposition to Senator BYRD's amendments that are pending at the desk dealing with the supermajorities.

In that statement, he asserted as an argument against Senator BYRD's contention that these supermajority requirements here were running counter to the prevailing theme of the Constitution that a majority ought to prevail, the fact that there were some supermajority requirements put in the Constitution by the Founding Fathers, for example, amending the Constitution or overriding a veto.

I wish to make the point that the very Founding Fathers who put those supermajorities into the Constitution considered at the time whether supermajorities ought to be required in order to make decisions, and they rejected that concept. So they in effect considered the very issue that is before us in this regard and rejected the notion of supermajorities.

So they specifically weighed that question at a time when they did include some supermajorities in very special instances. Obviously, amending the document is a very special instance, and the veto is an essential part of the checks and balances.

I cite the quote of James Madison in Federalist Paper 58 in which he rejects the notion of the supermajorities in order to reach decisions and says in fact in the course of that quote, and I will include all of it in the RECORD, ''It would no longer be the majority that would rule. The power would be transferred to the minority.'' And he spoke, of course, against that proposition.

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

NO. 59: HAMILTON

It has been said that more than a majority ought to have been required for a quorum; and in particular cases, if not in all, more than a majority of a quorum for a decision. That some advantages might have resulted from such a precaution cannot be denied. It might have been an additional shield to some particular interests, and another obstacle generally to hasty and partial measures. But these considerations are outweighed by the inconveniences in the opposite scale. In all cases where justice or the general good might require new laws to be passed, or active measures to be pursued, the fundamental principle of free government would be reversed. It would be no longer the majority that would rule: the power would be transferred to the minority. Were the defensive privilege limited to particular cases, an interested minority might take advantage of it to screen themselves from equitable sacrifices to the general weal, or, in particular emergencies, to extort unreasonable indulgences.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER (Mr. GRASSLEY). The Senator from Massachusetts [Mr. KENNEDY] is recognized.

Mr. KENNEDY. Mr. President, I notice the distinguished Senator from Kansas is on the floor and has an important statement. I will be glad to yield to her and then be recognized following her statement.

The PRESIDING OFFICER. The Senator from Kansas [Mrs. KASSEBAUM] is recognized.

Mrs. KASSEBAUM. Mr. President, I appreciate the Senator from Massachusetts yielding for a few moments so I can weigh in and offer my observations on the constitutional amendment that we have been debating over the past several weeks.

During these debates, I think we have heard some very thoughtful comments, both pro and con, on this important issue. This debate, in some ways, seems a fitting symbol for the amendment itself which involves a great deal of talk without any specific action.

As many of my colleagues know, I have long been an opponent of this proposed change in the Constitution of the United States. I have said it would not get us 1 cent closer to a balanced budget. I have contended that it would invite evasive accounting and legal gymnastics. I have expressed concern that it would open a whole new frontier for judicial review.

These concerns are not without basis and actual experience. I am sure we all remember the lengths we went to in order to get around the provisions of the Gramm-Rudman-Hollings Act and other abbreviated attempts at deficit reduction. We remember how, in the wake of the savings and loan crisis, the Resolution Trust Corporation was created, masking billions of dollars from budget totals. Even for this very amendment, we have left definitions of crucial language open to reinterpretation. Today's outlays may become tomorrow's ''working capital.''

I think many of my colleagues will also remember that in the past, I have referred to this amendment as a sham and a gimmick. I do not believe it is the panacea to a sound fiscal policy. It has been highly effective, however, in both roles by preventing us from focusing on the real choices that must be made in the Federal budget and serving as a nearly annual diversion that allows us to talk about balanced budgets while avoiding the clear and urgent need to adopt a sound fiscal policy.

This may sound, Mr. President, as if I am leading up to expressing a vote against a constitutional amendment to balance the budget. But this year, I intend to vote for final passage of the balanced budget amendment. I do so not as a result of the change in my views or beliefs or because of some revelation that this amendment does not suffer from the flaws that troubled me in the past. Instead, I will vote for this amendment this year simply and solely to eliminate it as an excuse for not cutting spending. We have been debating this amendment for more than a decade, constantly arguing about a change in the Constitution that would force us somehow to do what we all know eventually must be done.

If this seems like a backhanded endorsement to this amendment, it certainly is the case. All of the arguments that I have made in the past and many of the arguments that have been made in the last few weeks are, in my mind, still valid. Unfortunately, Mr. President, the arguments against this amendment and my concern about casual changes in the Constitution are rendered almost irrelevant by another simple fact of our budget life. That fact is that every day our Government issues scraps of paper marked IOU that are themselves becoming a deadly weight not only to future generations but to the Constitution itself. This year, we will issue almost $500 million a day in IOU's. Interest is piling up alongside those IOU's high enough to consume 15 percent of our spending. To put that in perspective, the budget we received a couple of weeks ago calls for us to spend almost as much money

next year in interest as on defense. If only that meant our world had become peaceful and safe. Instead, what it means is that we have put our grandchildren in debt and the future of our Government in danger.

Mr. President, I believe it is time to stop debating this amendment. It is time to pass it, get it out of the way, take it off the list of excuses we constantly use, and move on to the real issue, which is how to balance our Government's income with its expenditures, how to lay out a sound fiscal policy every year. If this amendment works, then I will be glad to admit that I was wrong to ever oppose it. I certainly hope it serves the purpose for which it was intended. If it does not work, then it will no longer be available as an excuse for failure to achieve sound fiscal policy.

That, Mr. President, is my reason for supporting this constitutional amendment to balance the budget and why I believe it is important for us in the Senate to pass it this year.

Thank you. I yield the floor.

The PRESIDING OFFICER. By previous order, the Senator from Massachusetts is recognized.

AMENDMENT NO. 267

Mr. KENNEDY. Mr. President, I ask unanimous consent that the pending amendments be temporarily laid aside and that my amendment No. 267 be placed before the Senate for the duration of my remarks on the amendment.

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

Mr. KENNEDY. Mr. President, during the debate on the proposed constitutional amendment, we have heard practically nothing from supporters of the proposal regarding how the amendment is to be enforced. The reason is clear: The amendment would give the President and the Federal courts unprecedented, and unacceptable, roles in deciding how Federal funds are to be allocated. My amendment addresses the first of these issues—the powers of the President.

In its current form, the proposed constitutional amendment would give the President—in order to avoid an unauthorized deficit—the power to impound funds appropriated by Congress. Section 1 of the amendment provides that:

> [t]otal outlays for any fiscal year shall not exceed total receipts for that fiscal year, unless three-fifths of the whole number of each House of Congress shall provide by law for a specific excess of outlays over receipts by a rollcall vote.

In other words, the constitutional amendment would flatly prohibit spending from exceeding revenues, unless both the House and the Senate authorize the deficit.

Under article II, section 3 of the Constitution, the President has a duty to ''take care that the Laws be faithfully executed,'' and article II, section 7, requires the President to take an oath to ''preserve, protect and defend the Constitution.''

In any fiscal year in which it is clear that there will be an unauthorized deficit, the President is bound by the Constitution and his oath of office to balance the budget and prevent the deficit.

Such a deficit could occur for a wide range of reasons. Congress may lack the political will to cast a vote authorizing a deficit as large as the one that it actually anticipates. Or, unanticipated decreases in revenue or increases in expenditures may result from natural disasters or from a downturn in the economy.

In these circumstances, the proposed constitutional amendment would give the President the power, indeed the duty, to impound appropriated funds to prevent the unauthorized deficit from occurring.

That is not just my opinion. This commonsense reading of the proposed constitutional amendment is shared by a broad range of highly respected legal scholars and by the executive branch of the Government.

Assistant Attorney General Walter Dellinger, who as head of the Office of Legal Counsel at the Department of Justice is responsible for advising the President and the Attorney General on the scope and limits on Presidential authority, testified before the Judiciary Committee that the proposed constitutional amendment would authorize the President to impound funds to ensure that outlays do not exceed receipts.

Harvard Law School Professor Charles Fried, who served as Solicitor General during the Reagan administration, testified that in a year when actual revenues fall below projections and a bigger-than-authorized deficit occurs, section 1 ''would offer a President ample warrant to impound appropriated funds.'' Others who share this view include former Attorney General Nicholas Katzenbach, Stanford University Law School Professor Kathleen Sullivan, Yale University Law School Professor Burke Marshall, and Harvard University Law School Professor Laurence Tribe.

By giving the President impoundment authority, the proposed amendment would dramatically alter the allocation of powers set forth in the Constitution. As James Madison wrote in The Federalist No. 48, ''the legislative department alone'' has the power to tax and spend.

So, Mr. President, as we mentioned here, we have broad views of different high administration officials who have served in the Justice Department or in the White House, who are thoughtful men and women and constitutional scholars, who believe virtually unanimously, if you regard the hearings that were held on the balanced budget amendment by Senator BYRD as well as by the Judiciary Committee—virtually unanimously that this power of impoundment is very real and that the President would have a duty to impound; not just an option, a duty to impound should there be an imbalance between receipts and outlays.

The Constitution gives Congress the primary authority and responsibility with regard to raising and spending funds.

Article I, section 7 states that ''all Bills for raising Revenue'' must originate in the House of Representatives.

Article I, section 8 grants Congress the powers ''to lay and collect Taxes, Duties, Imposts and Excises,'' and ''to borrow Money on the credit of the United States.''

Article I, section 9 provides that ''[n]o Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law.''

Changing the constitutional allocation of powers that has served this country well for over 200 years would be a profound mistake.

I support a statutory line-item veto, and I hope to be able to vote for one on the floor this year. But the impoundment authority given to the President by this amendment is far broader than a line-item veto.

The line-item veto simply allows the President to delete or reduce specific items in an appropriations bill. But as Assistant Attorney General Dellinger testified, the impoundment authority conferred upon the President by the proposed constitutional amendment would allow a President, confronted with an unauthorized deficit, to order across-the-board cuts in all Federal programs, abolish entire programs, or target expenditures intended for particular States or regions for impoundment.

In the name of deficit reduction, the President could freeze cost-of-living adjustments for Social Security recipients. He could abolish Medicare. He could slash defense spending.

In the past, Presidents from time to time have asserted that they had inherent constitutional authority to impound funds. This issue came to a head during the Nixon administration, when President Nixon impounded $18 billion from programs he wanted to terminate or reduce.

He impounded $9 billion appropriated for water treatment facilities. He imposed a moratorium on subsidized housing. He cut back on disaster relief. He suspended rural and community development programs. He withheld almost $2 billion from the Department of Labor and from the Department of Health, Education and Welfare.

Dozens of lawsuits were filed challenging the legality of President Nixon's actions. The vast majority of court decisions ruled against the impoundment. In 1974, Congress finally resolved the matter by passing the Impoundment Control Act to require the appropriated funds to be spent—unless the President sends a rescission message to Congress and Congress acts to uphold the rescission. The balanced budget amendment would scrap this arrangement. As I mentioned, that is the law now. The Impoundment Control

Act since 1974 is the law guiding the whole issue of impoundment.

The balanced budget amendment would scrap this arrangement, and fundamentally change the allocation of powers between the President and the Congress.

In addition to granting authority to the President to impound appropriated funds, the amendment would also enable future Presidents to assert that they have the power unilaterally to raise taxes, duties, or fees—in order to generate additional revenue to avoid an unauthorized deficit. That was the testimony of Assistant Attorney General Walter Dellinger, the chief legal advisor to the executive branch, before the Judiciary Committee this year.

This outcome would drastically transform the allocation of powers envisioned by the Framers. No longer would the legislative department alone have the power to tax and spend, as Madison promised in The Federalist No. 48.

The fact that the proposed constitutional amendment would confer impoundment authority on the President is confirmed by the actions of the Judiciary Committee this year. Supporters of the amendment opposed and defeated my amendment that would have added the following section to the proposed amendment:

> Nothing in this article shall authorize the President to impound funds appropriated by Congress by law, or to impose taxes, duties or fees.

If the supporters of the proposed constitutional amendment to do not intend to give impoundment authority to the President, there is no legitimate explanation for their failure to include this clear prohibition in the proposed amendment.

Supporters of the constitutional amendment make two arguments to support its assertion that the proposal would not give the President impoundment authority. Both are wrong.

They argue that there will never be an unauthorized, and therefore unconstitutional, deficit, because Congress will always step in at the end of the year and ratify whatever deficit has occurred.

That is like arguing the President has the unilateral power under the Constitution to declare war, because Congress will always step in to ratify a Presidential declaration.

If their prediction is accurate, then the balanced budget amendment is a sham, because it would impose no fiscal discipline whatsoever. But if the prediction is wrong—if Congress failed to act before the end of a fiscal year to ratify an unauthorized deficit—then all of the expenditures by the Federal Government throughout the fiscal year would be unconstitutional and open to challenge in the State and Federal courts. it is inconceivable that the President, sworn to preserve, protect and defend the Constitution, would be found to be powerless to prevent such a result.

Supporters also argue that Congress can specify in the enforcement legislation required by section 6 exactly the enforcement mechanism it wants, and that the President, as Chief Executive, is duty bound to carry out the congressional plan, to the exclusion of impoundment. But just because Congress spells out one means of enforcing the amendment does not mean that the President could not assert another means.

As the Supreme Court recognized in In re Neagle, the President's obligation to faithfully execute the laws is independent of Congress. That duty is not—

> * * * limited to the enforcement of facts of Congress * * * according to their express terms * * * it include[s] the rights, duties and obligations growing out of the Constitution itself. * * * and all the protection implied by the nature of the government under the Constitution[.]

If an unconstitutional deficit were occurring, Congress could not constitutionally stop the President from impounding appropriated funds in order to prevent it. As Prof. Kathleen Sullivan testified, the proposed constitutional amendment—

> * * * if enacted would, of course, be constitutional law, fundamental law. It would trump [the Impoundment Control Act of 1974] or any other statute designed to umpire disputes between the President and Congress.

In short, the only certain way to see that the President is not given impoundment authority is by adopting the Kennedy amendment.

This does not even take into consideration the fact that if you have subsequent enabling legislation, as suggested by those who support it, that the President might veto it. He way say, ''No, I believe that the statements and the positions that have been expressed by Charles Fried and former Attorney General Katzenbach and Solicitor General Archibald Cox and Walter Dellinger and Kathleen Sullivan give me the power to do that. They give me the power to do it so I am going to veto the implementing legislation.'' And what is to say what would be the outcome of such a veto?

My amendment will make clear that nothing in the balanced budget amendment gives the President authority to impound appropriated funds or impose taxes, duties, or fees.

My amendment will not limit Congress' power to give the President line-item veto authority. I will not limit the authority already given to the President elsewhere in the Constitution, and by the Budget Control and Impoundment Act. All it will do is specify that the proposed constitutional amendment does not give the President the power to impound appropriated funds or impose taxes, duties, or fees.

We should not sign over to the President the power that Congress has had over the purse for over 200 years, simply because some Members lack the political courage to make the tough decisions needed to balance the budget.

I urge my colleagues to support the amendment.

Mr. HATCH. Mr. President, I wish to respond to Senator KENNEDY's impoundment argument. In each of the years the balanced budget amendment has been debated, I have noticed that one specious argument is presented as a scare tactic by the opponents of the amendment. This year the vampire rising from the grave is presidential impoundment. Supposedly, a President, when faced with the possibility of budgetary shortfalls after ratification of the balanced budget amendment, will somehow have the constitutional authority—nay duty—to arbitrarily cut social spending programs or even raise taxes.

I want to emphasize that there is nothing in House Joint Resolution 1 that authorizes or otherwise allows for impoundment. It is not the intent of the amendment to grant the President any impoundment authority under House Joint Resolution 1. Indeed, House Joint Resolution 1 imposes one new duty, delegates one new authority, on the President: To transmit to Congress a proposed budget for each fiscal year in which total outlays do not exceed total receipts. In fact, there is a ripeness problem to any attempted impoundment: Up to the end of the fiscal year the President has no plausible basis to impound funds because Congress under the amendment has the power to ameliorate any budget shortfalls or ratify or specify the amount of deficit spending that may occur in that fiscal year.

Moreover, under section 6 of the amendment, Congress must—and I emphasize must—mandate exactly what type of enforcement mechanism it wants, whether it be sequestration, rescission, the establishment of a contingency fund, or some other mechanism. The President, as Chief Executive, is duty bound to enforce a particular requisite congressional scheme to the exclusion of impoundment. That the President must enforce a mandatory congressional budgetary measure has been the established law since the nineteenth century case of *Kendall* v. *United States ex rel. Stokes*, 37 U.S. (12 Pet.) 542 (1838). In Kendall, Congress had passed a private act ordering the Postmaster General to pay Kendall for services rendered. The Supreme Court rejected the argument that Kendall could not sue in mandamus because the Postmaster General was subject only to the orders of the President and not to the directives of Congress. The Court held that the President must enforce any mandated—as opposed to discretionary—congressional spending measure pursuant to his duty to faithfully execute the law pursuant to article II, section 3 of the Constitution. The Kendall case was given new vitality in the 1970's, when lower Federal courts, as a matter of statutory construction, rejected attempts by President Nixon to

impound funds where Congress did not give the President discretion to withhold funding. For example, *State Highway Commission* v. *Volpe*, 479 F.2d 1099 (8th Cir. 1973). Unless Congress grants the President impoundment power, the President, as a practical matter, will not be able to impound funds under this amendment.

Let me stress again that section 6 of House Joint Resolution 1 requires Congress to enforce and implement the amendment by appropriate legislation. This is not a delegation of power to Congress, similar to that of the 14th, 15th, 16th, and 19th amendments, whereby Congress has the discretion whether or not to exercise its enforcement power. Congress must enforce the balanced budget amendment by appropriate legislation. This is a powerful statement that evidences a preclusion of unilateral presidential action.

The position that section 6 implementing legislation would preclude Presidential impoundment was seconded by Attorney General Barr at the recent Judiciary Committee hearing on the balanced budget amendment. Testifying that the impoundment issue was in reality incomprehensible, General Barr concluded that ''the whip hand is in Congress' hand, so to speak; under section 6 [the] Congress can provide the enforcement mechanism that the courts will defer to and that the President will be bound by.''

Further, the notion that Congress would stand idly by while the President threatens to, or, in fact, does invade Congress' spending authority, is not realistic as a practical matter. We simply would not stand for it.

What we have here then, is an argument based on a remote possibility. Under the remote possibility scenario of an impoundment, we would have to preclude any possibility, however, remote, in the amendment. The amendment would look like an insurance policy. Why preclude something in the Constitution that in strong probability could never happen, and which Congress could preclude by legislation?

Finally, the Kennedy amendment, as worded, would prohibit Congress from delegating to the President in implementing legislation any rescissionary authority. This is what Congress did in Gramm-Rudman-Hollings. Why limit the tools that Congress may employ to balance the budget in the future?

As to the President's hypothetical power to raise taxes, this is not even a remote possibility. It is a constitutional impossibility. President's simply do not have the power to raise taxes and the balanced budget amendment does not alter this. This power is exclusively delegated to Congress by the Constitution in article 1. All the balanced budget amendment does is to limit Congress' spending, taxing, and borrowing powers.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Missouri.

Mr. ASHCROFT. Mr. President, in 1788, Alexander Hamilton recognized that deliberations on the Constitution would by no means be, as he put it, ''decorous and genteel.'' Much too much was at stake. Instead, he predicted there would be ''a torrent of angry and malignant passions'' that would be let loose during ''the great national discussion.''

Well, Mr. President, we are having a great national discussion. We can be thankful that we are having it on a basis which is appropriate and genteel. At the same time, we must answer some of the charges that have been made, as well as examine further some of the arguments that are being raised against the balanced budget amendment.

Just moments ago, in this Chamber, the Senator from Maryland came to us with the suggestion that the supermajority that is required in this amendment—and, as we all know, in the proposed amendment there is a supermajority of 60 percent required to raise the national debt—is undemocratic to the extent that it inappropriately gives to a minority of people, the 40 percent, the right to block the will of the 60 percent.

I agree that it is important for us all to agree that we do not want to have supermajority requirements everywhere, particularly where it is not important. But we also know that the Constitution itself contains a variety of supermajorities that are included in the Constitution because there are some things it is vital to protect.

Indeed, the Senator from Maryland pointed out that we have a supermajority requirement for overriding the President's veto. But the reasoning behind prohibiting supermajorities in the main is to keep one group from unduly imposing its will on another group. The reason we believe generally in simple majorities is that we believe that people who are represented ought to be represented on an equal footing.

However, there is a special situation about which we debate here today concerning the national debt. And it is not about one group in America displacing the cost of its consumption to another group now existent in America. What we are talking about is the displacement of the costs of current programs that we now benefit from onto the next generation, who are not currently represented at all. It is in truth a problem about allowing one group to impose its will on another group—another group upon whom this debt is being imposed who are not even here to protest.

Mr. President, we have tried over and over again as a body—in the United States—to somehow preclude this recurring debt problem by binding the next Senate. We had the Gramm-Rudman-Hollings Act, then we had GRAMM–Rudman, and then we had the budget deals of 1990 and 1993. We have not been able to get one Senate to bind the next Senate to the necessary discipline to restrain this Government from going deeper and deeper into debt. Unfortunately, while the Senate cannot bind the next Senate, the Senate certainly binds the next generation to the current debt.

So, when we are talking about a group that is yet to come into existence—the next generation of Americans whose toil has not yet produced the first of its wages—I think it is essential that we have the capacity to require a supermajority vote.

Mr. President, in the deliberations we also frequently hear that there is no need for us to have this kind of amendment to the U.S. Constitution. It is argued that there is authority now for the U.S. Congress to do what is right. There is authority for the U.S. Congress to do what is right and to live within its means.

Frankly, it is only part of what a Constitution stands for, what a Constitution's function is, to provide authority to do what is right. The other half of the Constitution's function and purpose is to prohibit that which is wrong. If we come to the conclusion that spending the resources of the next generation is wrong, we cannot rely on the fact that there is authority in the Constitution for the Congress to act properly. We must prohibit the Congress from doing that which is wrong.

The mere authority to do that which is right has been insufficient. We have had in the last 60 years only seven balanced budgets. We have had authority to balance the budget in every one of those 60 years, yet we have not had the fiscal discipline to balance the budget. It is agreed, we have had the authority to do what is right. What we need now is a prohibition against doing what is wrong.

It is wrong to spend your neighbor's resources. It is wrong to take those things which are not yours. It is simply wrong. It is part of the consensus that we all have when we first understand right from wrong. Yet we in Congress continue to recklessly spend the resources of the next generation without their consent.

The idea of placing a prohibition on the actions of Congress is not new. As a matter of fact, as a precondition for ratifying the U.S. Constitution, the States demanded that there be a Bill of Rights that clearly curtailed the ability of Congress to do things that were wrong. The first five words of the Bill of Rights are ''Congress shall make no law.''

Again, I reiterate Mr. President, it is very important that the Constitution not only include authority to do that which is right, but to prohibit the Congress from doing those things which are wrong. And this is a fundamental function of the Constitution that is as old as the Bill of Rights and the Constitution itself.

It is in this context, then, that we need a balanced budget amendment to the Constitution. When you think of the things which were said by those at

the beginning of this Republic which inspire us now—such as Nathan Hale saying on his way to the gallows, a patriot willing to give his life, ''I regret that I have but one life to lose for my country.'' I think sometimes that the Congress regrets that there are but one or two generations to pay for the excesses of the Congress.

As a matter of fact, I do not believe we can have any confidence that the debt which we now have could be paid off within one generation, or even perhaps within two generations. But I do have confidence that if we now take this act of principled discipline and begin to prohibit our profligate spending, we will begin to move away from the kind of deficits which have characterized this country for far too many years.

It is in this context that we must have this great discussion, Mr. President. It is in this context that we must understand the need for the U.S. Congress to send to the States for ratification an amendment to the Constitution which would impose upon the Congress of the United States the very same discipline under which virtually every State in the United States operates.

It is the discipline of practice, of living within the resources that are available, of living within the resources which have been contributed by those whose representatives are in the elected bodies—the legislative branches of the States. We should engage in the same practice at the national level. Indeed, we should live within the resources that we are willing to gather now—we should not attempt to take the resources of the next generation.

The ability to take the resources of the next generation is unique to the U.S. Congress. No family in America finds its children encumbered by the debts of their parents. No matter how profligate the spending of a father may be, the children are not asked to endure the debts of the father. While the Congress cannot bind the next Congress, it can and does bind the next generation. It is time for the Constitution to be amended so that we do indeed curtail this practice which deprives individuals affected of representation—a practice, again, which imposes on the next generation a kind of taxation, a kind of confiscation of their wealth without any participation whatsoever in the development of the priorities their resources are allocated for.

It is wrong, Mr. President, and we need to stop it. I yield the floor.

Mr. GRAHAM addressed the Chair.

The PRESIDING OFFICER. The Senator from Florida.

AMENDMENTS NOS. 259 AND 298

Mr. GRAHAM. Mr. President, on Friday, I proposed two amendments, which will be voted on tomorrow. I would like to use this opportunity to briefly discuss those amendments, and why I believe they are so critical, prior to the passage of this constitutional amendment and its possible ratification by the States.

I commence by saying that it is my intention to vote for the balanced budget amendment. I do so with great regret. I consider the very debate that we are having today, and over the past several days, an admission of failure. It is an admission of failure in a basic quality of the American character, and that is the quality that each generation has not only the responsibility to attend to its own affairs, but to leave this country as a stronger and better place for our children and grandchildren. That, in fact, has been the history of America for over 200 years. Regrettably, it is the generation of our children that may be the first generation to find that they are not better off, that they do not have greater opportunities personally, economically, educationally than did our generation and preceding generations.

We have broken that contract, that intergenerational contract of America. The balanced budget amendment, therefore, is the regrettable response to that broken contract. If there were reason to believe that we were prepared to reform Federal spending without having to go to the draconian extreme of a constitutional amendment, with all of its implications, many of which are unforeseen, if we had not broken that contract, if we had shown some discipline in the past or demonstrated our serious intention to do so in the future, then I would not vote for this constitutional amendment. But the fact is that we have done neither. We have been profligate in the past, and every indication is that we will continue to be in the future.

I will cite two examples from each of the major political parties. The President has submitted a budget this year which calls for approximately a $200 billion addition to our national debt—$200 billion of deficit, and about the same level of projected deficit through the next 5 years. The Republicans' Contract With America calls for a balanced budget, but it also calls for increased spending, particularly in the area of Defense, and it calls for tax cuts which, over the next 10 years, will cost the Treasury in excess of $700 billion.

Neither the President's budget nor the Republicans' Contract With America adds up. Thus, we are at the point that we are considering a constitutional amendment to place shackles on ourselves so that we will not be as able to sin in the future as we have in the past.

My criticism of this amendment, Mr. President, is that its reality does not live up to its rhetoric. It is less than it is purported to be; it is less than it should be. It is not, as it has been described by some of its most fervent advocates, the ironclad amendment that will protect the fiscal future of America.

This amendment, however, is likely to be a permanent part of the Constitution of America in the form that we submit it to the States. I believe the States are likely to ratify this amendment. The history of the United States is that we have had 27 constitutional amendments. With the exception of the amendment on prohibition that was repealed some 13 years after it was adopted, no other amendment has been repealed. No other amendment has been modified. So I am operating on the assumption that what we pass in this Senate, what the States ratify, will be in the Constitution of the United States for the foreseeable future. And it is against that long stretch of time that we must evaluate whether this amendment meets our rhetoric and the public's expectation.

In my opinion, the combination of the provisions in section 1, which provide that total outlays for any fiscal year shall not exceed total receipts for any fiscal year; section 2, which states that the limit on the debt of the United States held by the public shall not be increased without a three-fifths vote; and section 7, which states that total receipts shall include all receipts to the U.S. Government, total outlays shall include all outlays of the U.S. Government, results in a constitutional amendment that will tolerate—will almost assure that we will grow the national debt by $3 trillion over the next 25 years.

While the public is being led to believe that we are passing an amendment that is going to assure fiscal responsibility, we are going to be passing an amendment that will almost have the opposite effect of assuring a dramatic increase in our national debt.

How is that going to happen? Well, the first component of that, as this chart indicates, is going to happen whatever we do. Between now and the year 2002, which is the earliest fiscal year to which this amendment will apply, we are going to add approximately $1 trillion to our current $4.942 trillion national debt. So that we will reach the year 2002 with a national debt of $6 trillion. It is the next $2 trillion that we have the opportunity to avoid. The combination of those three sections that I summarized will provide that we will account for our national deficit by an accounting system that says you take in all of the income and you subtract all of the expenditures, and if you are in balance on that basis, then you have met the strictures of the constitutional amendment.

The fact is that for the next period, from now until approximately the year 2018, our Social Security Program is going to be generating enormous surpluses. These surpluses will reach a peak of over $3 trillion—a $3 trillion Social Security surplus. Every one of those dollars generated as a surplus in the Social Security system is a dollar against which we can spend for any purpose. Use of the surplus will not be limited to Social Security spending.

So the effect of this amendment, with its requirement that Social Security be integrated into the rest of the

Federal budget, is to tolerate a $2 trillion increase in the national debt between now and the year 2018.

But it could be worse, Mr. President. If, for instance, this or future Congresses decide to manipulate Social Security and the handful of other trust funds that will be contributing to this large debt held by Social Security and other trust funds, we can have further opportunities to spend, cut taxes, and still appear to be balancing the budget.

The aviation trust fund provides us with a good example of how Congress has misused a Federal trust fund. Every time an American or a foreign visitor purchases an airline ticket within the United States, they must pay a Federal transportation tax. The tax revenue then goes into an aviation trust fund. Legislation passed by this Congress stated that the proceeds of that trust fund were to be used to finance America's aviation system. It helps to pay for the very complex communications system that protects the navigation and the safety of aircraft. It goes, in part, to expanding our system of airfields and airports and terminals and other activities which benefit aviation in this country.

The fact is that for a period of years, particularly during the 1980's, we did not spend the money that was coming into that aviation trust fund. The primary reason we did not spend the money was not because we had suddenly decided we were going to become extra conservative in the area of aviation spending, but rather because every dollar we did not spend out of that trust fund added to its surplus and contributed to the masking of the Federal budget deficit. I think that while we were artificially reducing the reported deficit, we were tragically contributing to a degeneration of the best aviation safety system in the world. And we are all aware of some of the recent consequences of that degeneration. So I do not believe that we ought to be encouraging Congress to continue that pattern of behavior.

Finally, let me say on this point, Mr. President, I am concerned that some of the strongest advocates of this constitutional amendment are contributing to this public perception that we are going to be passing an ironclad constitutional amendment. Let me just refer to a few of the statements that were published over this weekend and which caught my attention. I am certain they also caught the attention of many of my colleagues.

First was an article in the Washington Post, dated Sunday, February 26, entitled ''Congress May Ask Historic Gamble by States,'' a discussion of this constitutional amendment. I ask unanimous consent that the text of this article be printed in the RECORD.

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

[From the Washington Post, Feb. 26, 1995]

CONGRESS MAY ASK HISTORIC GAMBLE BY STATES

BALANCED BUDGET AMENDMENT VARIOUSLY CHARACTERIZED AS OFFERING ''GLIDE PATH'' OR CRASH

(By Eric Pianin)

If the Senate approves the proposed balanced budget amendment Tuesday, Congress will ask the states to take a historic gamble that some say will free future generations from onerous debt and others warn could ruin the economy, disrupt vital government services and devastate the social safety net.

For nearly 60 years, the fight over a constitutional amendment to force the government to live within its means except in times of war has largely been an academic exercise. But in the wake of the Republican takeover of Congress, the House has overwhelmingly approved the measure, 300 to 132, and supporters in the Senate are within a couple of votes of the two-thirds majority needed to adopt the amendment and send it on to the states for ratification.

Republican leaders—including House Budget Committee Chairman John R. Kasich (Ohio) and Senate Judiciary Committee Chairman Orrin G. Hatch (Utah)—say passage of a balanced budget amendment is essential to GOP plans to impose fiscal discipline on an unruly and often cowardly Congress and put the government on a seven-year ''glide path'' to eliminating the deficit.

With a balanced budget amendment in place, they insist, the Republicans can cut taxes, protect Social Security from reductions, beef up defense and still eliminate the deficit by the year 2002—all without much upheaval or suffering.

''It isn't like we're trying to haul a Mack truck—attach ourselves to a Mach truck—and then pull it 100 yards with the power of our own bodies,'' Kasich said recently. ''There's an impression out there this is somehow impossible or terribly difficult. It's not that at all.''

But critics—such as Sens. Robert C. Byrd (D-W.Va.), Paul S. Sarbanes (D-Md.) and Paul D. Wellstone (D-Minn.)—warn the opposite: If the amendment is approved, it would make the government powerless to respond quickly to recessions and other economic crises and force dismantling of agencies and programs crucial to the poor and the middle class.

Others, including Sen. Sam Nunn (D-Ga.), also argue the amendment would disrupt the balance of power among the three branches of government, strengthening the hand of the president to impound funds any time Congress violated the constitutional strictures and opening the door to judicial intervention on congressional fiscal policy.

Critics also complain Republicans have refused to detail how they intend to achieve a balanced budget within seven or eight years. And they say the Social Security trust fund would become an irresistible target for budget-cutters early next century, despite assurances from House Speaker Newt Gingrich (R–Ga.) and Senate Majority Leader Robert J. Dole (R–Kan.) that Social Security would be exempted.

''No one is going to escape the wrath of the balanced budget mandate,'' Byrd said in a recent Senate speech.

The new Republican leadership has premised much of its economic and budgetary strategy on passage of the budget amendment, centerpiece of the House GOP's ''Contract With America.'' Many proponents favor the amendment on moral grounds, saying its adoption would help spare their children and grandchildren from the economic burdens of a national debt approaching $5 trillion.

Passage of the balanced budget amendment is also a vital pretext for the larger goal of dramatically shrinking size of government—dismantling or repackaging large chunks of it. Sen. Connie Mack (R–Fla.) said last week, ''This is a fundamental debate about those who believe more government will solve our problems and those who believe less government, less taxing and less spending will give us more freedom.''

As a foretaste, Republican House appropriators last week voted to cut $17 billion from current spending for housing, health care, nutrition, clean water, job training and other programs. Moreover, the House Economic and Educational Opportunity Committee voted to repeal the National School Lunch Act and fold school feeding and other nutritional programs for the poor into block grants for states to administer.

While these budgetary actions caused an uproar among angry Democrats and social welfare activists, the cuts and program changes were a drop in the bucket compared with what would be required under a balanced budget amendment.

Studies by the Congressional Budget Office, the Treasury and Center on Budget and Policy Priorities show Congress would have to reduce projected spending over the next seven years by as much as $1.4 trillion to balance the budget and pay for the Republicans' $200 billion package of tax cuts. In the year the proposed amendment would take effect, 2002, Congress would have to cut an estimated $357 billion of spending to meet the constitutional requirement.

The Republicans have promised a relatively painless prescription for achieving the deficit, by redesigning costly entitlement programs like Medicare and Medicaid, consolidating other programs into block grants and slowing the rate of growth of spending from a projected 5.4 percent to 3.2 percent.

''I won't call it horrific cuts,'' said Sen. Larry E. Craig (R–Idaho), a leading proponent of the balanced budget amendment. ''I'm talking about reductions of the rates of growth. There isn't going to be one dime cut below this year's budget in next year's spending.''

But liberal and conservative policy groups say the ''glide path'' to a balanced budget will be far bumpier than the Republicans let on. Also, it will be virtually impossible to balanced the budget in seven years if Republicans insist on fencing off large portions of the federal budget from spending cuts, they say.

''You have to be willing to take down defense and future Social Security benefits, and you have to meanstest Medicare and you have to eliminate a lot of cats' and dogs' programs,'' said William Niskanen, an economic adviser to the Reagan administration and head of the Cato Institute, a conservative think tank. ''Arithmetically, it's not difficult to do, but that begs the question of whether it's politically difficult.''

Under the amendment, the president would be obliged to submit a balanced budget each year and Congress would have to adopt a budget with outlays no greater than the projected revenues for the coming year, unless three-fifths of the House and Senate agree to allow a deficit.

The amendment would also require a three-fifths majority in each chamber to raise the ceiling on the amount of debt the government can incur, and a simple majority to raise taxes. The provisions would be waived in times of war or threats to national security.

Although it is called a balanced budget amendment, the measure does not guarantee a balanced budget in any year, only that Congress certifies it is attempting to stay

within the project revenues. If, as commonly happens, revenue or spending estimates prove faulty, the government could still close its books showing a deficit. However, if annual deficits get out of hand and push the overall national debt to the legal ceiling, it would take a three-fifths ''supermajority'' to raise the limit to allow additional borrowing.

The biggest problem with the amendment, critics say, is that it would rob the Congress of flexibility in responding to economic crises, such as recessions, or emergencies similar to the mass failures of savings and loan associations. Programs like unemployment insurance, food stamps and other welfare benefits currently kick in automatically whenever unemployment surges. But under a balanced budget amendment, it would take supermajorities in the House and Senate to approve the emergency funding.

''That kind of extreme fiscal policy makes a small recession worse,'' President Clinton said in his radio address yesterday. ''In its most exaggerated form, it's what helped turn the economic slowdown of the 1920s into the Great Depression of the 1930s.''

TEXT OF PROPOSED AMENDMENT

Following is text of proposed balanced budget amendment:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein). That the following article is proposed as an amendment to the Constitution of the United States, which shall be valid to all intents and purposes as part of the Constitution when ratified by the legislatures of three-fourths of the several states within seven years after the date of its submission to the states for ratification:

ARTICLE —

SECTION 1. Total outlays for any fiscal year shall not exceed total receipts for that fiscal year, unless three-fifths of the whole number of each House of Congress shall provide by law for a specific excess of outlays over receipts by a roll call vote.

SECTION 2. The limit on the debt of the United States held by the public shall not be increased, unless three-fifths of the whole number of each House shall provide by law for such an increase by a roll call vote.

SECTION 3. Prior to each fiscal year, the president shall transmit to the Congress a proposed budget for the United States government for that fiscal year, in which total outlays do not exceed total receipts.

SECTION 4. No bill to increase revenue shall become law unless approved by a majority of the whole number of each House by a roll call vote.

SECTION 5. The Congress may waive the provisions of this article for any fiscal year in which a declaration of war is in effect. The provisions of this article may be waived for any fiscal year in which the United States is engaged in military conflict which causes an imminent and serious military threat to national security and is so declared by a joint resolution, adopted by a majority of the whole number of each House, which becomes law.

SECTION 6. The Congress shall enforce and implement this article by appropriate legislation, which may rely on estimates of outlays and receipts.

SECTION 7. Total receipts shall include all receipts of the United States government except those derived from borrowing. Total outlays shall include all outlays of the United States government except for those for repayment of the debt principal.

SECTION 8. This article shall take effect beginning with fiscal year 2002 or with the second fiscal year beginning after its ratification, whichever is later.

Mr. GRAHAM. Mr. President, in this article, this statement appeared:

The amendment would also require a three-fifths majority in each Chamber to raise the ceiling on the amount of debt the Government can incur.

It goes on to state:

If annual deficits get out of hand and push the overall national debt to the legal ceiling, it would take a three-fifths supermajority to raise the limit to allow additional borrowing.

That is clearly untrue.

The constitutional amendment in the clearest words—and it is ironic that the text of the amendment was printed inside the article that I have just read—states that ''the limit on the debt of the United States held by the public''—held by the public—''shall not be increased without a three-fifths vote.''

By the year 2018, only approximately half of the total national debt will be held by the public. The rest of the national debt will be held primarily by Social Security and other Federal trust funds which are not subject to the limitation of this constitutional amendment.

In a response to the President on Saturday, one of our colleagues made this statement.

Americans know this measure would require Washington to start living within its means and balancing its budget like families and most State governments must do. That's why about 80 percent of Americans support it.

If 80 percent of Americans believe that this would require Washington to start living within its means and operating like a typical American household, they are supporting this amendment for the wrong reasons and they are about to be severely disappointed.

Finally, on one of the Sunday talk shows, one of our colleagues, in discussing the amendment, challenged a statement that this amendment would require 60 votes to raise taxes, correctly challenged that statement by saying:

No, you don't need 60 votes under this amendment to increase revenues. You need 60 votes to increase the debt ceiling.

That is not what the amendment provides. You do not need 60 votes to increase the debt ceiling. You need 60 votes to increase the amount of debt held by the public, which will be by the year 2018 only about half of our national debt. All the other debt that the Government borrows is outside of the three-fifths requirement. And it is that other availability of borrowing that is going to drive our national debt to almost $8 trillion by the year 2018.

I have one other item from the weekend news that I want to discuss in a moment where I think there has been a misstatement.

So these are some of the realities of the amendment that we are about to pass. It is an amendment which does not live up to its rhetoric. What is going to be the principal consequence of this gap between reality and rhetoric? The principal consequence of this deficiency in reality as opposed to the rhetoric with which the amendment is being sold is going to be aimed, targeted, focused on our Social Security system and primarily on those Social Security beneficiaries born after the year 1954.

If you were born after the year 1954—and I see some people in this Chamber who I think meet that standard—listen: Social Security is going to be used to mask the extent of the real deficits of the United States.

Let me just give you a few figures at 5-year intervals. In 1980, the reported national debt—this is reported on integrated, budgeted, total revenues versus total receipts including Social Security—the deficit was reported at $73.8 billion in 1980. When you look at the Social Security trust fund in 1980, the Social Security trust fund was running in a deficit. It had a deficit of $1.1 billion. So the real deficit of the general operations of Government was $72.7 billion; that is, the reported deficit minus the degree to which it incorporated the necessity to finance the deficit of Social Security.

By 1985, the reported deficit had jumped to $212.3 billion. And by 1985, as a result of the changes made in Social Security in 1983 when Social Security was converted from a pay-as-you-go system to a surplus system—one that had this print line of developing large surpluses in order to be prepared to meet the needs of that population largely born after World War II and particularly after 1954—we had a surplus of $9.4 billion. So the real deficit in the general accounts of the Federal Government, that is everything other than Social Security, was $221.7 billion. That is 1985.

In 1990, the reported deficit, $221.4 billion. The real deficit, after you eliminate the mask of Social Security surplus, was $279.6 billion.

In 1995, reported deficit, $176 billion. It would appear that we had made significant progress in controlling the deficit. But because there has been a significant increase in Social Security surpluses, the real deficit was $245 billion, or not so much progress. By the year 2000, according to the Congressional Budget Office's latest report, dated January 1995, the reported deficit will be $284 billion. The Social Security surplus will equal $96 billion. So the real deficit, the deficit in all of our ongoing governmental accounts, will be $380 billion—$380 billion.

That is just a foretaste of what it will be like 5 years later when, according to the Congressional Budget Office, we have a reported deficit of $421 billion and a Social Security surplus of $137 billion for a real deficit of $558 billion. That is what we are experiencing in terms of the direction of the budget.

That brings me to my fourth and final weekend news communique. A leading Washington Post columnist wrote in an article entitled ''Fool's

Amendment,'' that the redink hemorrhage this constitutional amendment is supposed to stop is not a chronic condition, it is actually a phenomena of the 1980's which has washed over into the 1990's, but it is a dubious proposition to rewrite the permanent charter of Government to correct for the follies of one decade.

I am afraid, my friends, that the facts indicate this was not just a decade-long aberration, that we did not just lose our way for one 10-year period. In fact, we seem to have lost this fundamental character of America of generational responsibility. We are masking the extent to which we are lost by these increasing Social Security surpluses. We are lost with no indication that we are about to find a compass.

Why is Social Security in the target of this issue? It is because that any future attempts to reform Social Security—and clearly Social Security cries out for some reform—are going to be stymied by the fact that those very reforms will be seen as, and in fact will be, means to further mask the deficit. Those reforms will not be used for the principal purpose of assisting Social Security to be a sound, reliable, retirement system for the indefinite future. They will be used as a means of generating additional surplus so we can have even more spending, even more tax cuts, even more borrowing.

Third, the increased national debt will lead to increased national annual debt payments. Under this constitutional amendment, the amount of deficit that we will add from the year 2002 through the year 2018 will be between $120 billion and $140 billion. That is $120 billion to $140 billion that our children and grandchildren and their children and grandchildren are going to be asked to pay.

There will be no net national savings increase as a result of this amendment between 1995 and the year 2018.

Mr. President, we reformed the Social Security system in the early 1980's, in order to build a surplus to meet our future obligations. By statute, that fund can only be invested in a particular form of Treasury notes which, incidentally, are restrained so they are nontransferable. How are we going to pay for all those notes when this large wave of Americans, particularly those born after 1954, arrive and begin to ask for their benefits?

The theory was that the rest of the national budget would be in balance during this period, and we would use the Social Security surpluses for real investments in America, in our economic growth, in making our country stronger so that it would be in a position after the year 2018 to meet this enormous indebtedness.

In fact, we have not been doing that. We have been using the Social Security surplus to fund our annual deficits. This amendment will allow Members to continue to use our Social Security surplus to fund our annual deficits and add $12 trillion to that national debt.

We are facing, Mr. President, a gigantic truck wreck beginning in about the year 2015. We are still operating in a surplus, but the rate of increase in that surplus is beginning to decline. I remember an old joke told about a trucker who was in a class, studying new techniques in driving trucks. The teacher used a method of instruction in which he would ask students different hypothetical questions to see how they would respond in emergency situations. One of the questions that was asked was, ''Joe, suppose you are riding on a mountainous road in northern New Mexico. You are 200 yards from the top of the hill, and you look up and there is another truck that has just crested the hill. You can tell it is out of control, and you can tell it is going over 100 miles an hour. What would you do?'' Joe said, ''I would turn to my relief driver, Ray, who is sleeping in back of me, and wake him up.'' The driver was shocked. ''You would do what? You would wake up your relief driver in that kind of an emergency situation?'' Joe said, ''I sure would, because Joe never has seen a truck wreck like the one we are about to have.''

Well, friends, we need to wake up America because we have not seen a truck wreck like the one we will have which will begin in about the year 2015, no longer having the enormous annual surpluses but reversing to the point where we will have deficits.

And what type of deficits? The period of about the year 2020 or 2025—and it sounds like a long time from now; we hope we will be here to see it—about that time, we will be running deficits in the Social Security of in the range of $350 billion to $400 billion a year. We will be spending out that much more than we will be taking in. That is not an aberration. That is the way the system was designed in order to create a core of assets that will be able to meet this future demand.

If you could analogize this to a household, the Jones household has earnings of $40,000. Unfortunately, the Joneses have not been very prudent and they have gotten into a pattern over the last 2 or 3 years of spending $50,000. So every year, their indebtedness goes up and they get a little more in the hole. Well, good news and bad news has just occurred for the Jones family. Their favorite uncle died, and the uncle left an inheritance, part of which goes to the Jones family.

Now, this is a somewhat unusual inheritance. The Jones family is going to receive $15,000 a year for the next 10 years. They are very happy about that. But the uncle has imposed a requirement on them. He loves the Jones' two children. They are his favorite nephew and niece, and he wants to see that they go to college. So he is going to require as a condition of receiving this $15,000 over each of the next 10 years that the Jones family commit that they will send these two children to college.

They estimate that it will cost $10,000 a year per child to send them to college. What do the Joneses do? Do they put the $15,000 aside in some trust fund to meet this obligation to send their children to school, as their beloved uncle wanted? No. They take the money and they start to spend it. They actually increase their annual spending from $50,000 up to $55,000, so now they are spending the $40,000 they make and the $15,000 they got from their favorite uncle, and they live very well for the next 10 years.

At the end of the 10 years, the $15,000 no longer is there. They are back to $40,000, having gotten themselves into the lifestyle of a $55,000-a-year family, and they have this obligation to send their two children to college.

It is not far off from what our family of America will face in about the year 2018. We will no longer have the Social Security surplus, but we will have to meet the retirement obligations that we have made to our older Americans. We are setting up another type of clash, and that will be a confrontation between classes of Americans. We are setting up a potential confrontation between those Americans who will be in the work force in the decade of the 2020's and those Americans who will be retired, because we will be asking those people in the work force to work harder. There will be fewer of them to support the large number of retirees. We will ask them to pay excessively higher taxes in order to meet those accumulated obligations.

Further, there will not be the kinds of student financial aid that maybe the Jones family thought they would get for their two children because we cannot afford student financial aid anymore.

There is going to be a generational clash in America. There could also be a clash between older Americans and better-off Americans. There is going to be a temptation to manipulate Social Security in order to make the surplus even greater so that some of those obligations in the Contract With America that have this $700 billion-plus price tag from now until the year 2005 can be met. This concerns me.

So we are going to be fraying the basic social relationship between and among important groups of Americans. And we are doing all of this, Mr. President, unnecessarily. We do not have to do this in order to pass this constitutional amendment. We will pass a better, a stronger, a significantly more conservative amendment if we will but take a series of actions in the next few hours.

It would be my hope that we would take as preferred action, No. 1, the passage of the amendment that the Senator from California, Senator FEINSTEIN, has offered which takes Social Security out of the rest of the Federal

budget. It would deal with the principal issues raised particularly in section 1 and in section 7 that I discussed earlier.

If we fail to pass the Feinstein amendment, we ought to adopt the first of my two amendments which says: If we are going to have a three-fifths vote to raise the limit of debt held by the public, let us make it a three-fifths vote on all national debt. The Social Security funds should not be more exposed than the other sources from which the Congress can borrow money.

Let us all play on a level playing field. Let us have a three-fifths vote for lifting our public debt limit. Let us do what the reporter in the Washington Post, and what two of our colleagues apparently think we are doing in this amendment, by requiring a three-fifths vote to raise the ceiling on borrowing. We are not doing that in this amendment. We should.

Finally, and I particularly would like to direct this comment to the chairman of the Budget Committee who probably understands these issues as well as anybody in this Chamber. If we continue with the outline of fiscal policy found in this amendment, using the Social Security surpluses as an additional area of borrowing, with only a majority vote required, we will be masking the extent of our other spending or tax cuts. As a result, in 2018 we will carry an $8 trillion debt, about $3 trillion of which is held by the Social Security System.

In 2019, we begin this dramatic drawdown of the Social Security fund. The surplus will drop from $3 trillion to zero by the year 2028. How are we going to fill this triangle on this chart? The triangle represents the national debt that we have accumulated by borrowing from Social Security, but which now we are going to have to start repaying to the beneficiary. How are we going to fill that void?

Under the balanced budget amendment, a three-fifths vote would be required to borrow from the public. This amendment will worsen this gigantic truck crash by saying that over a 10-year period, we have to borrow $3 trillion additional from the public and do it, we must have a three-fifths vote. At an absolute minimum, I think at least we ought to adopt my second amendment. The second Graham amendment which says that, when the Social Security program moves into a deficit position, we should be able to refinance the program by a simple majority vote. If we were able to borrow from Social Security at a majority vote, why should we not be able to pay off the beneficiaries with a majority vote?

In addition, I would like to comment on the issue of judicial review. As the advocates have stated on this issue, as well as others, how much judicial interference there would be in enforcing this amendment? All of these matters can be handled pursuant to the language in section 2 which states:

> The Congress shall enforce and implement this article by appropriate legislation which may rely on estimates of outlays and expenditures.

I think that there is an obligation owed by us to the American people to tell them how we are going to do that. I believe that the outcome of the balance budget amendment has been misrepresented. We should outline the implementing legislation. I believe that the advocates of this legislation ought to present to us between now and approximately 23 hours from now that language. Certainly, the bill's advocates have drafted this language. The objectives and strengths of this legislation are being regularly commented upon. Making public that language might help to alleviate some of the concerns that myself and others have raised during this debate.

I think we have a right to see what the implementing language will actually say so that we can assess whether we think it will protect the Social Security System, and other important areas that have been stated.

Or finally, and this, again, goes to the chairman of the Budget Committee, if we pass this amendment without either the modifications that address the serious problems of integrating Social Security into the rest of the Federal budget, and without the ability to analyze the implementing legislation, then I think the Budget Committee needs to lead our colleagues by pledging that we are not going to succumb to the temptation to borrow an additional $2 trillion between the year 2002 and 2018. Instead, the Senate will produce a budget plan that, in fact, will get us in balance, without having to use the Social Security surplus. That we will, rather than adding to the national debt, be adding to the Nation's savings account.

I think that a commitment by the leadership of the Senate and the Budget Committee that they would take that course of action would be of considerable relief to the American people, it would certainly be of considerable relief to this Senator.

So, Mr. President, in closing, the American people are poised for a disappointment. It is not the first time. This Congress, over many years, has stated that its intention was to act with fiscal responsibility. You could list the amendments, bills, the proposals that have had that as their objective. In every one of those instances, the American people have been disappointed. They have felt that they have been misled. That has contributed to the fact that the public standing of this institution has reached almost historic lows.

It is in our hands to do otherwise. It is in our hands to pass a balanced budget amendment which will live up to our rhetoric. It is in our hands to pass a balanced budget amendment which will provide a strong deterrent to further additions to the national debt. It is in our hands to pass a balanced budget amendment that will protect what has been one of the great social programs in this Nation's history, a program that has lifted the America's seniors out of poverty, given them a level of respect and dignity in their retirement years. We should protect the Social Security system, a system that now stands in the gun sight of this amendment.

All of those things are within our power to do and to do beginning 23 hours and 5 minutes from now. The question is, will we? Thank you, Mr. President.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER (Mr. THOMPSON). The Senator from New Mexico.

Mr. DOMENICI. I thank the Chair.

I might say to my friend from Florida, I only have about 15 minutes, and if the Senator does not mind, with reference to the questions the Senator has posed to me regarding the Social Security trust fund, I will come back to the floor on another occasion before the vote if I am granted time and I will explain my version of what the Senator has just described.

Frankly, I think the issue is one of a unified budget and whether we should abandon the unified budget or not. I am a staunch proponent of the unified budget which has everything on board for economic purposes and for deficit purposes. I believe I can explain to the Senator that the changes the Senator is talking about would be accomplished by majority vote, not by supermajority vote, because of the residuals we are talking about, and the residuals come about by passing laws that change things, and those laws are passed by simple majorities. But I will go into that in more detail with the Senator at another time.

I came today, Mr. President, because over the weekend there was a lot of talk about what I choose to call what ifs. There were some what ifs that Senator MOYNIHAN used on ''Meet the Press.'' There is a what if this morning by a columnist named Richard Kogan, who used to be a staffer on the House Budget Committee. And I would like to talk about this a bit because this constitutional amendment will not leave us without some what ifs. I think there will be some.

I propose that the what ifs we are going to have to address are less dangerous to America's future than if we do nothing and leave the budget process and leave the Constitution alone and continue the profligate spending that we have.

I was lucky over the weekend to go for 4 hours to the city of Detroit and then moved next door to Oakland County to conduct a hearing with my distinguished friend, the new Senator from Michigan [Mr. ABRAHAM], and a very large crowd of participants, including their Governor.

It is interesting, Mr. President, that on that day on the front page of the Detroit paper was a good picture of

money, and it was 43 million dollars' worth of money. It was, ''What Does $43 Million Look Like?'' It indicated that the night before last they were drawing their lottery, which they call a lotto, and somebody might win $43 million.

I would like the American people to know that it is interesting that it took that much space to show $43 million, and yet in 1 day the deficit of the United States is increased by about $500 million, which is about 12 times that $43 million. I left a dollar with Senator ABRAHAM and said buy me one of those lottery tickets and make the U.S. Government the beneficiary, and if we win we will get $43 million. It turns out there were three winners so we would only have gotten $15 million.

But essentially, if we would have won the $43 million and put it against the deficit, which exists even though Americans are working and paying taxes to try to pay our current expenses, it would have taken care of 2 hours of the accumulated deficit of the United States for the year—2 hours, $43 million.

Now, frankly, that is what brings me to the floor and that is what brings me in support of an effort on our part to produce within our Constitution a mandate that we stop this kind of profligate spending which is going to cause America to have little economic future 15 or 20 years from now when my good friend from Florida is worried about how we are going to pay the Social Security recipients, and I am worried about that. But I am also worried about what is going to remain for anybody else, including my grandchildren and their children, who are going to have to work—in one case it is suggested that to pay this bill, if we do not get the costs under control, the marginal tax rates would have to be 82 percent.

Now, who is going to work in America and what kind of future do you have if that is the case?

So there are a lot of what ifs, and one of the what ifs is what would we do if our banking system or our savings and loan system suffered a very big loss and we had to come up with the money to bail it out.

Well, Mr. President, let me suggest there is nothing in this constitutional amendment which says you must have a three-fifths vote to conduct the business of the U.S. Government, whatever that business is.

What it does say is if you want to do it in a way that is unbalancing the budget and you must borrow more money to do it, you need three-fifths.

So it is a matter of priorities and choices. And for those who think we will not have the wherewithal to prevent the big recessions from occurring and harming us more if we have this amendment than if we did not, might I suggest that we can be accused of a lot of things but we cannot be accused of being totally ignorant and stupid. We will have to draw our laws after we have this amendment in place—and I hope it is in place within the next couple of years—we will have to draw the laws with reference to security of banks, security of savings and loans, recessions and, yes, even unemployment compensation so as to comply with this law. We will have to choose some priorities. We may in fact have to set up better reserves in some of these funds so that at the end of the year we do not have to push ourselves out of balance in order to meet these kinds of requirements.

So for those who want to continue with a whole laundry list of what ifs, I would just suggest what if we do not do anything about this deficit. That is the biggest what if.

Some would say just go ahead and cut the deficit, cut programs. Some of us have been trying for a long time. Presidents have been around, four, five, or six, and we have only had one balanced budget or two in that whole period of time.

What we need is the American people speaking throughout our country in a loud and clear voice that says enough is enough. And what if we do not put this in the Constitution and force ourselves, and, yes, force the American people to accept less from their Government rather than more?

Now, in trying to get the deficit better under control, when we have our great constituents, our friends from our home States, coming before us saying, ''Not my program, somebody else's,'' let me say in my State I pledge only fairness, that my State in this restraint and this restructuring of Government will be treated fairly. But I cannot say that every single program and every single entitlement that we currently spend, that we currently have programmed in where they will increase every year—in the case of Medicare and Medicaid at 10.5 or 11 percent ad infinitum—I will not have to say who is going to pay for that. And if we have to get the deficit under control, what are we going to change if we do not change yours?

So the bigger what if is not what if we have a bank failure or what if we have a recession or what if we have more unemployment.

I would remind the Senate, if you are wondering whether the Senate can work its will even against difficult voting requirements for something like unemployment, I would like to put in the RECORD the unemployment compensation extension which occurred, believe it or not, when the rule of law in the Senate said you cannot spend any more money because you would violate the pay-as-you-go requirement, much like we are going to have with this constitutional amendment, and somebody said we have to pay for unemployment, we still need 6 or 8 months of extended benefits. What do we do? What do we do? Eighty-eight Senators voted to do it; 88 Senators voted to do that because it was needed.

Now, that is the what if. If we have not planned to take care of that, we will vote on it, just like we do everything else. And who knows, we may even do the next one by a simple majority for we might cut something and say cut this and pay for something that is more important. We do not choose to do that very often even in crisis in our great country and in our great Senate and House. We choose to say we have to spend some more because there is a crisis upon us.

There are stabilizers in our economy now. Where I now see this new diagram of how our economy has been up and down since the turn of the century, including the Great Depression, and it used to be that our economy went in broad sweeps like this and now in the last few years we are just in narrow sweeps like this because we have a lot of stabilizers in it. The biggest one is the Federal Reserve Board. It now controls things so we do not have those big ups and downs. I do not think we are ever going to have them again. Is it suggested that the stabilizers in our Government—unemployment compensation, the Federal Reserve Board putting more money on the market or making less available, reducing short-term interest rates if they can, in crises, extending unemployment when we need to, making sure that banks really cannot go totally broke from the standpoint of diminishing our currency value—we have all those things in place. Are we going to wipe all those out just because we are insisting that it is enough to spend $1.6 trillion and perhaps we should not spend $1.7 trillion? Should we not be prudent enough to keep the stabilizers in?

So I believe those arguments are truly, truly red herrings. For those who think we ought to control the American economy by turning spending on and off, the Keynesian idea of economics, frankly they will remain people who think that is what we ought to do. And there will remain those who do not think we ought to do that. And, frankly, I am confident that we are going to find our way within the implementing language for this amendment to do what we must to be prudent and rational with reference to a strong American economy.

I would like to make two other points. First, all of the changes required to reach results within the framework of this constitutional amendment require simple majorities. It was thought at one point the Constitution may have in it three-fifths vote on taxes. That is not in the Constitution, in this amendment. So whatever you want to change to make the deficit go up or down, tax more, cut more, create less of an entitlement or a bigger entitlement—those are all done by simple majority. It is the residual of the simple majority votes that end up with the deficit being too big or too little.

My final point is it is amazing to this Senator that there is now an argument that we should not have a three-fifths vote to borrow more money and break

the concept of a balanced budget at a point in time. There is an argument we should not have three-fifths.

My friends and fellow Americans, you must be bound by something. The simple majority got us where we are, voting for everything and refusing to cut; voting for taxes, and then not voting to cut spending. Those are all a result of simple majority votes.

Should we have a constitutional amendment—what a joke—that says you must be in balance unless a simple majority says you do not have to be? Why go through the trouble of passing it? That is the rule today. That is what Senator Harry Byrd from Virginia did 18 years ago in the U.S. Senate. He passed a substantive law of the land that said you shall no longer have any deficits, starting 1 year from now.

That stayed on the books while we incurred deficits, because when Congress votes the last vote, the last law governs. So if we had a constitutional amendment that did not have some kind of supermajority, where would it stand on a roster of enforceability, of something with teeth? It would have zero teeth.

So, for those who do not like the three-fifths, they must be saying one of two things. We will really solve the budget with simple majority votes, although we have been unable to do it heretofore; it will be done. Or they must be saying it should be stronger than three-fifths. I thought that was an argument I might hear. I thought I might hear an argument that there should be no way to avoid a balanced budget—three-fifths, six-fifths, who cares? You cannot do it.

This amendment is pretty well thought out. Because most things will get done by simple majorities around here, which is the good way to do it, the democratic way, the majoritarian vote idea is a paramount idea in American democracy. However, we are merely suggesting that the debt is getting too big. The annual deficits seem never to be controllable. So when it comes to borrowing money to pay for this deficit, increasing the debt, that you have to have a supermajority. I think it is the only way we are going to get there. In fact, I will confess when they were looking for ways to enforce a constitutional amendment, and if you look back in history we have had a number of them, they have been enforceable by different mechanisms, I concurred wholeheartedly as budget chairman that this was probably the best way—put a limitation on the public debt.

I believe when we are finished arguing tomorrow about the unified budget and Social Security—and I hope to bring that to the floor and talk about it—that essentially everyone will understand that the unified budget governs everything in it and that essentially if you want to change things you change them by simple majority and you are not going to borrow any more or any less, based upon the Social Security trust fund, because those calculations are already in the unified budget concept by definition.

I will go into that in more detail tomorrow because I believe that is the case. I do not believe the argument that you can borrow all you want from Social Security because you are only governed under this amendment when increasing the publicly held debt; I do not think that is a valid argument. I think they are one and the same when it comes to the unified budget. It is no easier to do one or the other under the unified budget and I will try to do a better job on that tomorrow.

So, in conclusion, this Senator has been through many, many ''what ifs?'' Many times we have said what if we would have done this, we would be in better shape than we are. What if the 1986 budget that Senator DOLE and I put through the Senate had been accomplished, where would we be? We would be very far along in terms of the deficit, ridding ourselves of it. But it did not happen. So the what ifs on the side of the equation that says what if we do not do this, put this constitutional amendment in place, far outweigh the other what ifs about how we will solve some other smaller problem within the huge, huge notion of borrowing to pay for our current debts and interest that we have incurred.

I will close today by suggesting to the senior citizens of the United States, if I were advising what policy should be adopted I would say whatever policy the Congress of the United States and the President are going to be firmly committed to that is most apt to have sustained economic growth over a 20- or 25-year period of time. Whatever that policy is, with reference to fiscal policy, we better support it. I will guarantee that for all that is being said on the floor about the future of the Social Security trust fund and how much have we borrowed and how much have we not borrowed and what are we going to do 12 years from now and 20 years from now, I will say to every senior in America there is little chance that what is expected of Social Security will ever occur in a 20- or 25-year timeframe, unless you can extract from your legislators and policymakers that they have done the very best they can to create an environment for sustained economic growth. Without it Social Security is doomed, the pensions of the future are doomed, and the trust fund is not going to mean much.

I believe a balanced budget approach like this is a start down the road of the best fiscal policy we can have, comparing what we have been able to do and what we have promoted and propped up and levied against the people of this country over the past 20 to 25 years.

I yield the floor.

The PRESIDING OFFICER. The Senator from Rhode Island.

AGAINST THE AMENDMENT

Mr. PELL. Mr. President, after much deliberation, I have concluded that I should not support the balanced budget amendment and will vote against it when the final vote is taken in the Senate tomorrow.

The proposed amendment is appealing on the surface, but underneath there are a host of problems. I believe its objectives are unrealistic and possibly detrimental, and I fear that it could place intolerable burdens on the States.

I find myself in basic disagreement with the philosophy of the proposed amendment. As our distinguished colleague from New York, Mr. MOYNIHAN, has so eloquently reminded us, the Federal budget is not supposed to be in perpetual balance. Those of us who experienced the economic cycles preceding World War II have a special respect for the wisdom of John Maynard Keynes, who showed us that government should save when times are good so that it can spend when times are bad.

The balanced budget amendment is the antithesis of that sensible doctrine. Its ritualistic requirement for balance in each fiscal year disregards the random vagaries of economic cycles, precluding the timely operation of automatic stabilizers such as unemployment insurance and bank deposit insurance during downsizings when they are most needed.

Likewise, the ritual requirement to achieve balance might deter the accumulation of budget surpluses in good years, since the pending amendment might tend to promote unreasoning tax slashes, instead of the prudent salting away of a surplus.

I also fear that the rapid withdrawal of some $1.6 trillion in Federal spending in the arbitrary time frame of the next 7 years could virtually wreck the economy, especially if it should coincide with a period of high interest rates or a recession. And I am particularly concerned about the impact of a cumulative loss of $1.8 billion in Federal spending to the small State of Rhode Island over the same timeframe.

Finally, Mr. President, I recoil at the notion of using our Constitution for the purpose of imposing bookkeeping rules. I doubt that this amendment will stand the test of timelessness which has sustained the wisdom of the Framers for 200 years.

From the perspective of the year 2095, it may appear rather anomalous that the U.S. Senate spent the month of February 1995 trying to mandate for all time that our books should be balanced, down to the last dollar and cent, at the end of each 12-month period. My guess is that—if the amendment is approved—a disenchanted electorate will have repealed it long before the century passes.

Of course, we can and should continue to do everything we can to cut Government spending and reduce deficits. But we already have ample authority to do so and should simply get on with the task.

In my mind, there is no need for a constitutional amendment. The Constitution should not contain a balanced

budget amendment, and I would trust that it does not succeed. I realize the political appeal of the very title of a balanced budget amendment is immense. It is not an open and shut case one way or the other. Many of us have proposed different ways at different times. I voted for it in the past. But it is a close call. But my conclusion is that the best interests of the Nation would be served by not passing the balanced budget amendment.

The judgment against this proposal was best summed up by the columnist David Broder when he wrote that it is ''a bad idea whose time has gone.'' The time and place to stop it is here and now. I urge its rejection.

I yield the floor.

Mr. PRYOR addressed the Chair.

The PRESIDING OFFICER. The Senator from Arkansas.

Mr. PRYOR. Mr. President, I thank the Chair for recognizing me.

Mr. President, before I make a few short remarks, I would like, if I might, to compliment the distinguished Senator from Rhode Island. He and I have talked about this issue of the balanced budget on several occasions. I have been in what you might call sort of soul-searching meetings with the Senator from Rhode Island. I have watched him—I do not want to say in his agony—in attempting to reach a decision about his vote. But I certainly have seen him trying to search for the proper role to take and the proper answer to give to his constituents and ours with regard to this all-important vote that we will take tomorrow.

Mr. President, please allow me to compliment my very distinguished friend from Rhode Island, not only on his decision, but on the very thoughtful way in which that decision was reached.

Mr. PELL. I thank my friend, the Senator from Arkansas.

AMENDMENT NO. 307

Mr. PRYOR. Mr. President, on Friday I talked briefly about an amendment that I am going to call up for a vote tomorrow. The number of this amendment, for the purposes of our staff who might be watching the monitor at this time, is amendment number 307.

Mr. President, this amendment is very simple. In fact, it is only one sentence long. I am going to take the liberty of reading amendment 307 that we will consider tomorrow, and I will do that at this time. On page 3 of the constitutional amendment, between lines 8 and 9, the following sentence would be inserted:

> It is the intent of Congress that each State should, as a part of the ratification process, submit to Congress recommendations for reductions in direct and indirect Federal funds provided to the State and its residents (based on the State's allocation of Federal funds) necessary to balance the State's share of the Federal deficit.

That new sentence I would attempt to add by amendment 307 to the proposed constitutional amendment before us at this time.

Mr. President, I call this—and I think I can call it this in all truth and honesty—a States' rights amendment. This is an amendment that would belong to the people as their right to tell the Congress how the cuts should be made in our respective States.

Back in the middle part of January the Department of Treasury came out with what I consider to be a very thorough study of how each State would be impacted and affected by a constitutional amendment to balance the budget by the year 2002.

Mr. President, I hold this study in my hand. And from time to time, I have been given the opportunity to discuss with my colleagues in the Senate how each of our States represented by this body would be affected by this particular amendment that will be voted on sometime during the course of the legislative day tomorrow.

For example, the Treasury Department has indicated that the State of Arkansas from which I come, a small State of around 2.5 million people, would have to increase State taxes—not Federal taxes, State taxes—by 16.5 percent across the board to make up for the loss of grants, should the balanced budget amendment pass, and the Federal budget is balanced by the year 2002.

Also, Mr. President, we would see a cut in about $1.1 billion a year in Medicare benefits to our State, and another $1.1 billion per year in other programs where the Government allocates the money to the States.

There are going to be severe cuts to each State. My amendment basically would say that the people of the State—through or via their own State legislatures sitting at the proper time, during the debate on whether or not to ratify this amendment by the respective States, would tell their State legislators sitting in their respective general assemblies how the people feel these allocations should be effectuated in the State.

The State legislatures would be looking at the allocation of cuts based upon the total Federal funds received today. That would be the basis of the formula that the States would be employing in recommending to the Federal Government, the Federal Congress, the national Congress, how these Federal funds, these cuts, should be implemented out in the States.

This would give the people of our country a very, very rare opportunity. It would provide our people the opportunity to tell Congress where these cuts should be made. It would provide the people of America the right basically to petition Congress, in an informal, nonbinding way, say as what we believe out in the country, the priorities should be in allocating cuts in Federal spending back to the States.

Mr. President, we have just gone through a very, very lengthy several days of session in the Senate with regard to the issue of unfunded mandates. Let me say that this is not an unfunded mandate. This is not even a mandate. This is something merely declaring the intent of the Congress, that the States would have the opportunity to show us where these cuts and where this pain could be best allocated. We think it is fair; we think it is simple. It speaks to the issue in one simple sentence that we hope will be accepted by this body tomorrow.

Some might say, if we accept this amendment, even though it is just one sentence, then we are going to have to go back and have a conference with the House of Representatives to reconcile any differences. We would do this because we have dared to differ with the House just by adding this one sentence. Mr. President, I do not really buy that argument, because it is very rare indeed that we approach the eve of a historic vote on an amendment such as this, which will change forever the basic relationships of the three branches of Government. We would be forever changing the way Government deals with how we finance, how we structure the American economic system.

This is a crucial, critical vote tomorrow. In the 1 or 2 days' time that might be expended in a conference between House and Senate conferees—conferences are done all the time; it is normal and it is natural to have conferences on differences between the two bodies—I feel they can work out. If not this language, at least the spirit of this language to be encompassed in the final draft of the amendment, so as to give the people of America the opportunity to speak to the Congress, to say where these cuts should occur.

Mr. President, once again, the people of the State would speak during the ratification process. This is presupposing—maybe wrongfully, I do not know—that there will be 67 votes tomorrow to ratify this amendment to balance the budget. But, Mr. President, in my opinion, it is very, very important because we have now lost the fight on the people's right to know how Congress will balance the Federal budget, and at least we will have some safeguard, some measure of the impact on the States, should this amendment receive 67 votes. And before the States ratify or fail to ratify this amendment, we would have the opportunity for the people to express to us how they feel as to the allocation of this pain that we will feel.

Mr. President, I will conclude by saying that this is, as we have all known for a long time, going to be a very close vote. We are seeing many phone calls come into our offices, and letters and telegrams; there is no question about that. That should be encouraged because the people should express how they feel about altering the Constitution of the United States in this way. But I am just very hopeful that all of the people in the country who are watching this particular debate on this issue of the balanced budget amendment, I am just hoping, Mr. President,

they will realize that most of us in this body want and desire and are committed to a balanced budget. Some of us do not feel at this time that the proper way to achieve that balanced budget is to put it in the Federal Constitution.

I, for one, do not feel that we should wait until the year 2002 to begin trying to balance the budget. I think that we have to begin that process now, as we did in 1990, as we did in 1993. We have to continue on that cycle in order to find ourselves, to place ourselves on the glidepath to a balanced budget. I think, too, that many people who might be watching this argument must realize that we cannot in this country violate a 60-year-old contract that we have had and have maintained with the people of this country relative to their Social Security trust funds, which some fear will be used to balance the budget.

Mr. President, we know that in this amendment, we have voted down the amendment which would have exempted Social Security funds from the balanced budget amendment. I say, and say without reservation, that this was one of the more critical votes that we dissected and explored with regard to this constitutional amendment.

Finally, Mr. President, I think there is another issue that hangs out there and haunts us and, in fact, taints this constitutional amendment as proposed. This is the issue of the judiciary's role in interpreting what we did, and also, the role that the Federal judges might well play in implementing the constitutional amendment to balance the budget, and their having the ability to raise taxes to balance the Federal budget.

Mr. President, I am not talking about the U.S. Supreme Court having that ability. I am talking about Federal district judges perhaps having the opportunity, or seizing the opportunity, to come forward and say that the Congress has not balanced the budget; therefore I, acting under the authority vested in me as a Federal district judge in Nashville, TN, or Little Rock, AR, or Oshkosh, WI, or wherever the case may have arisen, to enjoin the issue of taxation.

Under the constitutional amendment, we are going to see taxation without representation, Mr. President—that is my firm belief—in the event that we pass the Federal balanced budget constitutional amendment on tomorrow.

Tomorrow is a critical vote, and I just hope that the people of our country will realize that this has not been a delaying tactic, that we have wanted to fully explore the momentous decision that we have to make on tomorrow.

Mr. President, I respectfully submit that on both sides of the aisle, we have conducted this debate in a manner where I hope the people—whether they agree or disagree with our decision—will at least say that the U.S. Senate is a great deliberative body and that we have carried out our mission, I hope, with sincerity and a commitment to the cause that we are attempting to serve.

Mr. President, I see my very good friend from Connecticut, and he is not ready to speak just now. Therefore, I will suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

Mr. DODD. Mr. President, I rise again today to discuss the balanced budget amendment and to provide what I hope will be some constitutional historical perspective on this issue.

Let me begin by commending my colleagues for the fact that we have had an opportunity now over the past several weeks to thoroughly debate and discuss this issue. As my colleague from Arkansas just noted, I think the institution has been well served by this debate. It is exactly what the framers intended; that, on matters of deep and profound concern to the Republic, this body act in a deliberate fashion. And there can be no matter more serious than an effort to amend the Constitution of the United States. And certainly, when we attempt to do so, a thorough and complete debate and discussion of the implications of that decision ought to be the business of this body for however long it takes.

I particularly want to commend the efforts of my colleague from West Virginia, Senator BYRD, who is, I believe all recognize in this body, regardless of party, truly one of the great historians, one of the great minds when it comes to the Constitution, and to the rules of the Senate. I suspect that all of our colleagues have benefited directly from his historical perspective and his leadership on making Members aware of the implications of a constitutional amendment of this significance.

Mr. President, the congressional leadership of the new majority is now advocating the most sweeping rewrite of the U.S. Constitution in two centuries. In addition to the matter before us—the balanced budget amendment—many in the new leadership are advocating amendments on tax limitation, term limits, line-item veto, unfunded mandates, school prayer, and flag burning. Mr. President, that is seven constitutional amendments that the new Republican leadership hopes to pass in this Congress.

Other than the Bill of Rights, composed of 10 amendments, all ratified in 1791, making so many changes to the Constitution so fast would be utterly and totally unprecedented.

Throughout our history, we have changed the Constitution only occasionally. Since 1791, we have amended the document an average of only once every 12 years. We amended the constitution only four times during the entire 19th century—that is three fewer amendments than the new majority leadership wants to adopt in the next 2 years alone.

It is certainly not unusual for the winning party in an election in this country to seek adoption of its legislative agenda. That is democracy and that is as it should be. What is unusual, Mr. President, about the new leadership's plans is the desire to enact its agenda not by statute but into the permanent Constitution of this Nation, the organic law of our country.

These proposals are even more surprising, I might add, coming from some who are self-styled conservatives who profess to believe in cautious, reasoned, and judicious change.

The Constitution is not a set of fraternity bylaws to be amended with each new pledge class. It should reflect not the popular winds of the time, but the sacred principles of all time.

As a country, we have never supported governing by means of constitutional amendment. Since the adoption of the U.S. Constitution, 10,831 constitutional amendments have been proposed in the U.S. Congress, but only 17 of those amendments have ever been ratified, if you exclude the Bill of Rights. That is fewer than one-quarter of 1 percent of all amendments ever proposed.

Why do I mention that? The procedural hurdles to ratification of constitutional amendments are very, very hard for a very, very good reason. An amendment that may look perfectly reasonable today may prove to be unnecessary or even dangerous, not to mention silly, down the road.

A few examples from history I think will make this point.

In 1808, one of my predecessors from Connecticut, Senator Hillhouse, proposed to limit the President's annual salary to $15,000 a year by writing it into the Constitution of the United States. Now, I am hesitant about citing that example because it may enjoy some popular support today, given the reactions the people have to people serving in public life. But Senator Hillhouse figured that surely this was a generous offer at the time.

In 1838, the Nation was scandalized when one Member of Congress killed one of his colleagues during a duel. This led to the introduction of a constitutional amendment to bar individuals implicated in dueling from ever holding elective office by changing the Constitution.

In the latter half of the 19th century, a great concern over the abuse of patronage led to repeated amendments mandating the popular election of postmasters and deputy postmasters in the country. Imagine what that would do to the political process today?

In the opening decades of the 20th century, there was increasing alarm over the number of divorces in the country that led Senator Ransdell of Louisiana to offer a constitutional

amendment to prohibit divorce in the United States.

In 1919, a growing concern over the evils of drinking led to the 18th amendment, prohibiting the sale or manufacture of alcoholic beverages in the United States. The amendment, as most will recall, was a failure—prohibition was widely flouted. Congress's only choice was the unseemly one of adopting yet a new constitutional amendment to repeal the previous one.

My point, Mr. President, in mentioning these amendments is not to ridicule those who offered them nor to question their motives at the time. In fact, many of these proposals were undoubtedly reasonable, or at least thought to be so, at the time they were suggested. But, Mr. President, as I recite them, I think all would agree that they would not have stood the test of time.

Over time, I believe that a balanced budget amendment will fare no better.

I would like to take a few moments, if I could, and add a little historical perspective to our debate on balanced budgets.

Much has been said in the last few days and weeks about our current Federal deficit and debt problems. I would concur with my colleagues about the importance of reducing our debt. It is clearly a drag on our economy and a burden on all Americans.

I, however, strongly differ, Mr. President, with my colleagues in their interpretation of our current deficit problems as a recent development in our Nation's history.

This chart to my left, Mr. President, lays out the historical perspective, beginning in 1794 and moving up to 1994 of surpluses and deficits as a percentage of our spending.

This chart reveals that there have been wide variations in spending patterns throughout our history. We have had surpluses as high as 102 percent of Federal spending in 1835—in this area—and deficits as great as 89 percent of Federal spending in 1862 during the Civil War—this bottom line down here.

The chart also illustrates that our current difficulties are small relative to deficits that our Nation has experienced in the past. When we compare the high-water marks of past deficit spending with the worst of the Reagan era deficits, we find that the depth of our current deficit cycle is much smaller.

That is the period from here, beginning at about 1959, and going to the present, these smaller lines back and forth.

In 1983, at the height of our current deficit problems, the Federal deficit was 26 percent of overall spending. It is now about 13 percent of overall spending. Let me quickly add, there is no question that these rates are far too high, but they have been far worse—and we have recovered.

We have run deficits in half of our last 200 years. Most of the major bumps and squiggles that you see on the chart are readily explainable. The War of 1812, the panic of 1837, and the depression that followed—I have already mentioned the Civil War, the bottom line here—World War I, over here, and World War II, as well, where deficits were incurred.

Without the so-called discipline of a balanced budget amendment, we were able to get out of those difficult deficit cycles.

One huge deficit swing that is not reported on this chart is President Thomas Jefferson's 1803 decision to make the Louisiana Purchase.

Jefferson borrowed $15 million, an amount $4 million greater than the entire Federal budget for that year, to acquire the new territory.

Based on a letter he wrote, a number of my colleagues have cited Jefferson as a supporter of a balanced budget amendment.

I think my colleague from Texas, Senator GRAMM, is one who made specific reference to it. I point out that Thomas Jefferson would have found it a good bit more difficult to make this purchase if a vote on waiving the Constitution to permit an unbalanced budget had been required in 1805. Today our colleague from Texas might be running for the Presidency of Texas rather than the Presidency of the United States.

The Louisiana Purchase does not show up on the chart because of an accounting distinction. The appropriation is not shown here because our chart excludes receipts from borrowing. If borrowing had been included, the Louisiana Purchase would be twice as deep as the largest dip in the chart caused by the Civil War.

Jefferson knew that the Constitution did not explicitly grant authority to purchase new land, and that concerned him. He considered a constitutional amendment to permit such authority. But he realized, Mr. President, that the opportunity to buy the new land could be lost through a lengthy ratifying process. So despite his constitutional reservations, he sought congressional approval to add both vast new territory and a staggering public debt to our young Nation.

Mr. President, the historical perspective reinforces, I think, a very important point. Balanced budgets have not been a natural part of our national experience. Nor should we expect them to be.

Clearly, balanced budgets are desirable. I do not think there is any debate about that point. But they are not our only goal. Providing economic and military stability, raising living standards, promoting adequate savings and investment, and reacting repeatedly to unforeseen events, are also critically important objectives.

It is unrealistic, in my view, to expect any great nation to achieve all of these goals in every given year. In America, we elect our representatives to make difficult decisions and to balance competing needs. If we amend our Constitution to require balanced budgets we elevate one goal above other equally important objectives. We fundamentally change our ability to respond to complex and changing circumstances.

It is a law of physics, Mr. President, and of life, that every action has a reaction. Some we can anticipate, others we cannot. One reaction we can expect is that balancing our budget in economic recessions will destabilize our economy and increase the volatility of the financial markets.

Laura Tyson, the President's Chief Economic Adviser, recently noted that had a balanced budget requirement been in effect during the last recession, it would have thrown 800,000 people in this country out of work. Historically, deficit spending has functioned as an important fiscal tool to stabilize the economy and moderate fluctuations in the business cycle.

When the economy is in recession, the Federal Government takes in less money. That is stating the obvious. A balanced budget requirement would compel Congress to match declining revenues with increased taxes or spending cuts. In the process, Mr. President, it would force the Congress to renege on promises to provide a critical safety net to our citizens just when it is needed the most, and it would impede our ability to hasten recovery by providing a fiscal stimulus when it, too, was needed most.

Changing the Constitution is not like adopting a simple statute that can be modified or appealed in that Congress or succeeding Congresses. Constitutional amendments must be held to the highest possible standard. Indeed, the language we insert into the Constitution will very likely stay there as long as this Republic stands. Generation after generation will live with the consequences of our constitutional decisions.

Henry Clay said, 140 years ago:

> The Constitution of the United States was made not merely for the generation that then existed, but for posterity—unlimited, undefined, endless, perpetual prosperity.

The key to the Constitution's ability to endure is its simplicity, Mr. President. That is why making the Constitution too long and too specific runs the risk of damaging the entire document. The Framers understood that danger when they wrote the Constitution two centuries ago.

Edmund Randolph of Virginia was one of a handful of delegates to the Constitutional Convention charged with turning the general principles agreed upon into constitutional language. Before getting down to drafting, Randolph briefly spelled out his philosophy of Constitution writing:

> In the draft of a fundamental constitution, two things deserve attention: (1) To insert essential principles only, lest the operations of Government should be clogged by rendering those provisions permanent and unalterable, which ought to be accommodated to times and events; and (2) to use simple and precise language, and general propositions,

according to the example of the several constitutions of the several States; for the construction of a constitution necessarily differs from that of law.

While the U.S. Constitution has endured, many of our State constitutions have come and gone. As the constitutional scholar Martin Landau has pointed out, there have been more than 200 State constitutional conventions since 1789, as States have had to shelve detailed Constitutions that became obsolete and overly restrictive. As Landau writes:

State Constitutions, notoriously complicated, cluttered, and rigid, have come and gone—tossed away as outmoded, inelastic, and maladaptive instruments.

That is a fate, Mr. President, we do not want to visit on our national Constitution. We must ensure that it remains a brief, lucid statement of general principles, not a highly specific legislative vehicle.

I invite my colleagues to read the entire Constitution with all of its amendments and then immediately read this proposed amendment. Like me, I think you may find this to be a jarring exercise, moving from the simple elegance of our existing Constitution to the arcane complexity of this proposed addition.

This balanced budget amendment has eight sections and 292 words in it. That is more words, Mr. President, than the first five amendments that establish some of our most enduring and fundamental liberties: The freedom of speech, the freedom of religion, the freedom of assembly, the right to petition the Government, the right to bear arms, freedom from unreasonable search and seizure, and the right to a jury trial. There are less words included in those five amendments than is proposed by this amendment.

Mr. President, our current deficits are too high. We all know that. They need to be reduced. As a direct result of President Clinton's leadership, we have made significant progress on this problem. The deficits are declining for 3 straight years in a row, the first time, I might add, that that has happened since the Truman administration.

For the first time since the 1960's, the Federal Government is collecting more in revenues than it is spending on programs. Our most recent deficits are not due to overspending on Federal programs but rather to the payment of interest on the debt accumulated during the 1980's. According to the Council of Economic Advisers, our budget would be in balance by 1996 if it were not for required interest payments on the debt run up from 1981 to 1992.

It is important, though, that we take a broad view of deficit spending and learn from our past history. I refer my colleagues again to this chart of 200 years of Federal spending. Throughout our entire history, we have experienced great peaks and valleys in Federal spending patterns. Over the last 40 or 50 years we have had relative stability. This amendment threatens to compromise our economic stability and to do great damage to our economy.

We ought not to look just at this most recent period and ignore the spending patterns throughout our history. And, we ought not to look at most recent experience and deny 205 years of constitutional history in the process. That would be a grave mistake.

Mr. President, we have a serious obligation to confront our fiscal difficulties. We do not have the right to visit on the Constitution of the United States a highly questionable solution to a contemporary problem. The answer to our present-day frustrations should not be sought by cluttering up the perpetual life of our democracy. To do so, I believe, would be a decision that we will live to severely, severely regret.

I urge my colleagues to reject this proposal when the vote occurs tomorrow.

Mr. President, I yield the floor.

Mr. DEWINE addressed the Chair.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. DEWINE. Mr. President, I rise today in very strong support of a balanced budget amendment to the Constitution.

I will begin by asking unanimous consent that this letter that was released today signed by 219 economists from throughout the country who have endorsed the balanced budget amendment be printed in the RECORD.

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

BALANCED BUDGET AMENDMENT—AN OPEN LETTER TO CONGRESS, FEBRUARY, 1995

It is time to acknowledge that mere statutes that purport to control federal spending or deficits have failed. It is time to adopt constitutional control through a Balanced Budget Amendment. In supporting such an amendment, Congress can control its spending proclivities by setting up control machinery external to its own internal operations, machinery that will not be so easily neglected and abandoned.

Why do we need the Balanced Budget Amendment now, when no such constitutional provision existed for two centuries? The answer is clear. Up until recent decades, the principle that government should balance its budget in peacetime was, indeed, a part of our effective constitution, even if not formally written down. Before the Keynesian-inspired shift in thinking about fiscal matters, it was universally considered immoral to incur debts, except in periods of emergency (wars or major depressions). We have lost the moral sense of fiscal responsibility that served to make formal constitutional constraints unnecessary. We cannot legislate a change in political morality; we can put formal constitutional constraints into place.

The effects of the Balanced Budget Amendment would be both real and symbolic. Elected politicians would be required to make fiscal choices within meaningfully-constructed boundaries; they would be required to weigh predicted benefits against predicted tax costs. They would be forced to behave ''responsibly,'' as this word is understood by the citizenry, and knowledge of this fact would do much to restore the confidence of citizens in governmental processes.

It is important to recognize that the Balanced Budget Amendment imposes procedural constraints on the making of budgetary choices. It does not take away the power of the Congress to spend or tax. The amendment requires only that the Congress and the Executive spend no more than what they collect in taxes. In its simplest terms, such an amendment amounts to little more than ''honesty in budgeting.''

Of course, we always pay for what we spend through government, as anywhere else. But those who pay for the government spending that is financed by borrowing are taxpayers in future years, those who must pay taxes to meet the ever-mounting interest obligations that are already far too large an item in the federal budget. The immorality of the intergenerational transfer that deficit financing represents cries out the correction.

Some opponents of the Balanced Budget Amendment argue that the interest burden should be measured in terms of percentage of national product, and, so long as this ratio does not increase, all is well. This argument is totally untenable because it ignores the effects of both inflation and real economic growth. So long as government debt is denominated in dollars, sufficiently rapid inflation can, for a short period, reduce the interest burden substantially, in terms of the ratio to product. But surely default by way of inflation is the worst of all possible ways of dealing with the fiscal crisis that the deficit regime represents.

Opponents also often suggest that Congress and the Executive must maintain the budgetary flexibility to respond to emergency needs for expanding rates of spending. This prospect is fully recognized, and the Balanced Budget Amendment includes a provision that allows for approval of debt or deficits by a three-fifths vote of those elected to each house of Congress.

When all is said and done, there is no rational argument against the Balanced Budget Amendment. Simple observation of the fiscal record of recent years tells us that the procedures through which fiscal choices are made are not working. The problem is not one that involves the wrong political leaders or the wrong parties. The problem is one where those whom we elect are required to function under the wrong set of rules, the wrong procedures. It is high time to get our fiscal house in order.

We can only imagine the increase in investor and business confidence, both domestic and foreign, that enactment of a Balanced Budget Amendment would produce. Perhaps even more importantly, we could all regain confidence in ourselves, as a free people under responsible constitutional government.

Mr. DEWINE. Mr. President, this particular letter was solicited by the American Legislative Exchange Council and I believe, when read, will indicate the strong support these economists have for the balanced budget amendment and why they feel it is necessary.

I agree with the statement of the Senator from Connecticut that tomorrow will be a very historic day. He and I come down on different sides of this issue. Many of his comments and many of the comments that have been made in the last 5 weeks on this floor against the balanced budget amendment may seem to make some sense. And quite frankly, I do not believe anyone in this Chamber is happy about the fact that

at this point in our history, we have come to the point where we have to pass, or at least many of us believe we have to pass, a balanced budget amendment.

Never before have we been this close to passing a balanced budget amendment and, quite candidly, I am not sure if we do not pass it tomorrow we will ever really have a good opportunity to do it again. For the balanced budget amendment to pass, the time is now. If we cannot pass a balanced budget amendment in the current political climate in this country—after having seen what happened in 1992 when everyone in this country voted for change in frustration and then in 1994 where people again voted for change, where today 80 percent of the American people want a balanced budget amendment—if we cannot pass it today, I am not sure that we ever can.

Last November, the American people voted for change. For 25 consecutive years, Congress has failed to balance the budget. The last time we balanced a budget in this country I was a senior in high school, 25 years ago. Congress has amassed a $4.7 trillion national debt that our children and our grandchildren and our great grandchildren are going to have to deal with. That, Mr. President, is what the American people voted to change in 1994.

For decades, they have heard promises from Congress. The American people, people that I talk to, are tired of promises. They want action. They are tired of words. They want a balanced budget and they want a balanced budget amendment. They know that Congress is simply incapable of balancing the budget unless it is forced to balance the budget. Eighty percent of the American people support the balanced budget amendment because they realize that unless we change the budget process in a fundamental way, we are not going to change the result of the budget process. Let us make no mistake about this, only a constitutional amendment can create this fundamental change.

As long ago as 1921, Congress was trying to change the budget process by statute. This strategy clearly has not worked. At least six different times, maybe more, this Congress has passed statutory balanced budget requirements, all to no avail. History proves that Congress cannot balance the budget by statute, and it has been true no matter which party was in power. When we had a Republican President, we had a deficit. When we had a Democrat President, we have had a deficit. When we had a Democrat Senate, we had a deficit and, yes, even with a Republican Senate, we have had a deficit, too.

There is no better evidence of the bankruptcy of this statutory approach than the current budget that was sent to Capitol Hill by the President. The President's budget proposes deficits in the neighborhood of $200 billion, but even more shocking, there really is no serious attempt to balance the budget in what people on Capitol Hill refer to as the outyears and what people away from the beltway refer to as the future.

As far, Mr. President, as the eye can see with the President's budget proposals, we have nothing but red ink. This budget proposal proves beyond a shadow of a doubt that America's fiscal policy is fundamentally misguided. Clearly, we need to change course, and if we do not change course, if the balanced budget amendment is voted down, the result will be a bleak future, indeed, for the next generation of Americans.

We are already paying over $235 billion—$235 billion—a year in interest on the national debt. That is eight times what we currently invest in education. It is 50 times what we invest in job training programs. Every year we add to this mountain of debt, every year we are committing more of tomorrow's resources, our children's resources, to pay for Congress' failures today.

By the year 2003, just 8 years from now, spending on entitlements and interest alone will exceed 70 percent of the whole Federal budget. Take out defense and you leave just 15 percent of the budget for all the discretionary spending—all the discretionary spending—on our domestic needs; less than 15 percent cumulative total for education, for job training, for Women, Infants and Children Program, and for all the other programs that help the American people at home; just 15 percent of the budget for all these programs combined.

We have heard a lot of talk on the floor about how a balanced budget amendment will stop us from being able to help the neediest in society, how a balanced budget amendment will unduly penalize our children, and how it will make it very, very difficult for us to invest in our future. I believe that just the opposite is true; that unless we pass a balanced budget amendment, future Congresses, future generations will have no money left to invest in our young people.

Mr. President, following up on these figures, if you go out to the year 2012, just 17 years from today, there will be nothing left in the budget for these social needs—zero, no money at all for our children. Every last red cent in the Federal budget will go to entitlements and interest payments.

The year 2012 has special significance for my wife and myself, because just a year before that, our grandson, Albert, will graduate from high school. In the year 2012, our daughter, Anna, should be in her first year of college. If we do not act today, Albert, Anna, and other children will pay a severe human cost. Tomorrow we face a decision about their future, and it is of historic significance. Let us prove by our vote tomorrow that we can put partisanship aside and that we can for once act together in the long-term best interest of our country and of our children.

Mr. President, let us just admit that well-intentioned people of both parties, of both parties, have failed to enact a responsible Federal budget. Therefore, let us do what is necessary to fix the problem. If we do not do it today, it may never happen. And future Americans will ask why, why, why the Congress, faced with a clear and well informed mandate from the American people, chose once again to defend a fiscal process that had already created a debt of nearly $5 trillion.

Some people would have us believe that this constitutional amendment is a quick fix; that it will not solve the real problems of fiscal policy, but when I go home to Ohio that is not what I hear. That is not what I hear from people back home. This is not something the people of Ohio want to do any more than we do. It is something, however, that they are convinced we have to do as a last resort.

In the short term, passing the balanced budget amendment is no quick fix. It will create a monumental challenge for this very Congress because for the first time in a generation we will not be permitted to take unlimited spending demands and just tack them on to the deficit. Future Congresses will have to deliberate, will have to make the best choices they can and will have to be judged by the American people on the results that are produced.

Over the short term this will not be pleasant, but over the long term this constitutional amendment is the greatest gift we can make to future generations. Last week, a columnist in the Wall Street Journal warned Senators that their grandchildren will remember the votes they cast on this amendment. I believe the author of that article was correct. That is why I am proud to vote yes on this very historic measure. I urge my colleagues to do the same.

Mr. President, I yield the floor.

Mr. THOMAS. Mr. President, I rise in support of the balanced budget amendment.

We will have talked about it tomorrow for 30 days. We talked about the pros and cons. We have debated and discussed it. Actually, I suspect it is fair to say that most everything that can be said has been said. I suppose the thing that has not happened is not everybody said it yet, and that seems to be why we go on as we do. It is not a new topic. It is not as if this issue just came up. It has been talked about for years. As a matter of fact, it has been voted on in the last several years.

Mr. President, you and I came from the House. We talked about it last year. We voted on it last year. It was voted on here. So it is not a new topic.

Interestingly enough, everyone who rises says, yes, I want to balance the budget; of course, we need to balance the budget. But we have been 26 years and have not balanced the budget. They rise and say, well, but we do not need an artificial discipline to do that; we just simply need to do it.

It is true. We have not done it. We have not done it for 26 years.

Many who oppose it have been here for a very long time, and I am not critical of that. But it has not happened. Many who oppose it have been in very important positions dealing with the budget. They have not balanced it. And you can argue about the reasons why. You can argue that it is difficult to have an amendment in the Constitution. But the fact is if you want to change the way things happen you have to change the process. You cannot continue to do things the same way you have been doing them for 26 years and expect some kind of different result.

I think the people of this country expect the decision. I am delighted that we are coming to a decision tomorrow. I think we have been too long.

I respect the notion that the Senate is here to deliberate, to take longer, I suspect, than the House typically takes. Nevertheless, there comes a time when the question needs to be brought to a decision, and that is what voting is for and we are going to do that.

I have a hunch that many of the things we have talked about have really been sort of a reason, a justification for voting no when in fact the big difference is a philosophical difference. It seems to me there is a great deal more involved here. As important as the financial aspect is, as important as the morality of being fiscally responsible is, there is also a broader question. That question is what kind of a Federal Government do you see us having? What do you see as the role of the Federal Government? Do you see it as an ever-increasing bureaucracy that grows continuously year after year?

If you take a look at a chart—I did not bring a chart—of spending, spending has continued to go up. Last year and even this year, in this budget, in my hometown paper it said administration cuts. It leads you to believe there is less spending than the year before. Not so. Spending has gone up. Spending is going up 5.5 percent. Spending has gone up every year. Spending will go up under the budgets that are being talked about in the House. So spending continues to go up.

There is a philosophical difference, however, as to whether you see the Government as ever growing or whether you see it as being limited, whether there ought to be a transfer or movement toward emphasizing State and local governments more, the private sector more, more personal responsibility, or do we continue to do more and more in the Federal Government. That is part of what we are talking about here—not only the money but also the role of the Federal Government.

We have heard a great deal just today about how there are exceptions, there are times when things need to be done, and that is, indeed, true. It also in the budget amendment allows for exceptions. It allows for changes. It does take a majority, or a supermajority to do it. But there is no reason why it cannot be done if it is justifiable and, indeed, it can be.

People and the legislatures of this country I think deserve an opportunity to vote on a constitutional amendment, if it goes there, and it should. We have talked about the Founding Fathers having not put it into the Constitution, but I recall Thomas Jefferson said if there was one change he could make, it would be to limit overspending.

I had the honor the other day to read George Washington's Farewell Address again, and he spoke to it. Let me quote.

> As a very important source of strength and security, cherish public credit. One method of preserving it is to use it as sparingly as possible, avoiding occasions of expense by cultivating peace, but remembering, also, that timely disbursements, to prepare for danger, frequently prevent much greater disbursements to repel it.

And then he said:

> Avoiding likewise the accumulation of debt, not only by shunning occasions of expense, but by vigorous exertions, in time of peace, to discharge the debts. . . .

We have not done that. And that is what this is all about. This provides the discipline to make the tough decisions that we have to make.

So there are reasons to do it. It is morally and fiscally responsible. Ask anyone should we balance the budget, should we spend more than we take in on a consistent, 26-year basis? The answer is no, of course not.

Ask anyone, should we have to balance the budget? The answer is yes, of course, we should. We hear it every day: I am for a balanced budget. We do not do it. There is no reason to expect that we will unless we change the process. Is the current situation out of control? Of course, it is.

Do the States do it? Of course, they do. I come from a legislature in which the Constitution provides for a balanced budget. We do it. We live with it. It works. And we can deal with it.

So, tomorrow we vote, and I am delighted for that. I think it will be a very important vote. I think it will be a crucial vote. I think it is a vote that helps not only to shape the future in terms of spending but to shape the future in terms of the kind of Government and the extensiveness of Government that we have. If there was one thing that was clear from this November's election, at least the people whom I represent said we have too much Government and it costs too much. We have too much Government and it costs too much. That is what this vote is about, doing something about that.

I yield the floor.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. CHAFEE. Mr. President, there is no greater problem facing the country today than our continued failure to balance the Federal budget. Unfortunately, this is not a new phenomenon, as has been pointed out here on the floor by earlier speakers. Over the past 33 years, we have balanced the budget once and that was a quarter of a century ago in 1969. Had the Social Security program not generated a surplus, we would not have balanced the budget in that year either. Furthermore, the forecast put out by the Congressional Budget Office and the administration show that absent dramatic action on our part, these deficits are not going to end any time soon. It is not that we are just on the edge of ending the deficits through normal action, absent this balanced budget amendment.

For example, CBO predicts that the deficit in the year 2005, 10 years from now, could be as high as $421 billion. The President's budget, which was released early this month, forecasts Federal deficits of approximately $200 billion for each of the next 5 years. So in the next 5 years the President himself predicts we are going to have $200 billion of deficits. The Congressional Budget Office says 10 years from now those $200 billion deficits are going to rise to $421 billion a year.

Even worse than this dire prediction of what is going to happen is that the President has taken little action to address this problem. The $81 billion of deficit reduction in the President's plan is really relatively minor when it is realized that this $81 billion of deficit reduction occurs over 5 years, and, $60 billion of those savings come from keeping spending at the current level, not from making any cuts; just from keeping it where it is.

Why is it bad that the Federal Government routinely spends more than it takes in? We are told in soothing tones by the administration that it is very important to note that the deficits for each year in the future are going to be a lower percentage of the gross domestic product. That is somehow meant to be grand news. What the administration tells us is do not worry, that for each of the future years the deficits are going to be a smaller part, an ever decreasing part of the Federal budget each year. Somehow that is meant to be good news, even though the dollar amounts of the deficits constantly grow.

The problem is that every year we run a deficit we have to borrow to fund the shortfall. From the beginning of our country until today, we have incurred a debt—I believe the Senator from Ohio touched on this—we have incurred a debt of about $5 trillion with the overwhelming portion of that accumulated over the past 15 years. The cost of servicing that debt, the gross interest, will total $339 billion in 1995. In 1995, just to pay the gross interest on the debt is $339 billion. This is the second largest expenditure in the Federal budget after Social Security. To put this number in perspective, our gross interest expense for 1994, this $339 billion, is more than the entire budget of the country 20 years ago. Just imagine if we were not spending that $339 billion, what we could do to improve our education, or to spend some of that

money—not all of it but some of it—to help our education, help our health care system, or to bolster our efforts to fight crime.

Aside from diverting resources that could be used for much better purposes, the deficit also puts a tremendous strain on our national economy. The most notable effect of this is on our interest rates. Alan Greenspan, who is Chairman of the Federal Reserve, recently testified before the Finance Committee. This is what he said:

> Investors here and abroad are exacting from issuers of dollar-denominated debt an extra inflation risk premium that reflects not their estimate of the most likely rate of price level increase over the life of the obligation, but the possibility it could prove to be significantly greater.

Let us translate that into English we all can understand. What Mr. Greenspan was talking about was a risk premium. What is a risk premium? A risk premium is the extra amount that anyone who issues debt, anyone who issues a long-term bond, must pay in interest because the buyers of that bond can predict with some measure of surety what the rates will be in the future but they have to add to it a factor, what Mr. Greenspan called the risk premium, because the country is running such large deficits that the fear of inflation is always there; the fear that inflation will come, that the Government will print money in order to get rid of this deficit. Thus this risk premium is added to any issuance—Ford Motor Co. or the U.S. Government—anybody who issues bonds that might last, for example, 20 years. If the buyer of that bond were assured that this country was on a process of balancing its budget, then he would not seek that risk premium and the bonds could be issued at a lower interest rate. Thus these artificially high interest rates affect all Americans. Families pay a risk premium when they borrow money for a home or when they borrow money for a new car or to finance their children's education.

The Federal deficit also has a negative effect on future economic growth. Our potential to expand the economy in the United States is directly linked to the amount we invest in physical and human capital. What are we talking about, physical or human capital? We are talking about new machinery or we are talking about training the work force, bringing its skills up to date. We are talking about providing a foundation for increasing our output of goods and services. With this higher productivity comes a higher standard of living in our country. To achieve this, however, we must have a pool of national savings from which the investment can be made.

Unfortunately, our national savings rate has declined dramatically over the last decade, partly because the Federal Government has engaged in what is known as dissaving. In other words, it is not saving money, it is borrowing money through this deficit spending. The Federal Government's reliance on borrowing to pay its bills crowds out the private sector. The Federal Government comes in, has to borrow money—obviously there is not money left to lend at a low rate to you and me and businesses and others who want to borrow.

The worst consequence of this fiscal irresponsibility is that we are jeopardizing the economic futures of our children and grandchildren. We are living beyond our means and we are passing the bill to these future generations.

Recently I ran across a paper which discussed the idea of generational accounting. What does this mean? It is the process of measuring how Government policies affect the distribution of income and wealth among different generations. To make this comparison, the authors calculated the lifetime net tax rates. My generation—I was born in the 1920's—is facing a net tax rate over our lifetimes of 26 percent. Of everything we earn, 26 percent will go for taxes. For somebody who is born in 1991, the lifetime net tax rate is not 26 percent, it is 34 percent. That is not so bad, you say—34 percent. I can handle that, perhaps.

But according to this analysis, if we do not take action to improve the Federal domestic situation, future generations, generations born, grandchildren born, children born, individuals born, starting in 1995, 1996, 1997 will face lifetime tax rates not of 26 percent, not of 34 percent, but of 70 percent. In other words, future generations can look forward to handing over 70 cents of every dollar earned to the Government if we do not reverse our course.

For the past few years the administration has also included a generational analysis in its budget documents. Unfortunately, the President chose to delete that section from this year's budget. But the figures were similar to the ones I just pointed out. Why will future generations face such a daunting tax bill? Consider the obligations we have levied upon them. The Social Security program has been generating surpluses.

The surpluses will turn. They will no longer start, will end, and pretty soon the program will not be bringing in surpluses. That is in the year 2013. That leaves workers in the middle of the next century with a hefty bill to pay to provide retirement benefits for those who are retiring today. On top of that, we have incurred this $5 trillion in debt, which I mentioned before. That is likely to increase by $750 billion even with the passage of this balanced budget amendment. Obviously, at some point, all of this has to be repaid.

What exactly does the balanced budget do? Very simply, it prohibits Federal outlays from exceeding Federal receipts unless a three-fifths majority of both Houses of Congress approves a specific deficit. In other words, it says that Congress can only spend what it is willing to collect in taxes, unless Congress determines a specific reason for and a legitimate reason for running a deficit. This could happen if there is a recession, if there is a natural disaster. Absent those situations, the country has to run a balanced budget.

This amendment will make fiscal responsibility the norm rather than the exception. As has been said, the Federal Government has run a deficit for 25 straight years. There have been Republican Presidents. There have been Democratic Presidents. There have been Republican Senators. There have been Democratic Senators. Neither body is free from blame. The truth is there has not been the will to make the tough decisions to balance the budget.

I listen to these people say there is no need to have this, that all we have to do is show some courage. But the truth of the matter is, we have not shown that courage. So we have to go to this artificial procedure, and the Senator from Connecticut says it has more words than the first five amendments. So what? What does that prove?

The amendment before us today demands the same fiscal responsibility from the President that it establishes for Congress. The administration has to submit a balanced budget.

I am grateful that the sponsors have not sought to include a three-fifths majority requirement for raising revenue. That was discussed. You have to have 60 votes to increase taxes. That was rejected by the House, and rightfully so. That provision would be disastrous for this country because it would significantly hamper our ability to govern. Facing a deficit, Congress would in all likelihood be forced to cut spending rather than to raise revenue because the latter—to raise revenue—requires 60 votes.

I support spending cuts over tax increases but feel it would be unwise to tilt the playing field against raising revenue. In other words, you need 60 votes to increase taxes but you only need 51 votes to cut spending. I would not support this amendment if it had the three-fifths majority for raising revenue. But fortunately, it is not in there.

The amendment includes a process whereby the requirements can be waived by a simple majority for any year in which the country is in war or when the United States is engaged in a military conflict. I think these are legitimate circumstances.

In section 7 of the amendment, it states that the total receipts, all receipts, of the U.S. Government except those derived from borrowing and total outlays should include outlays for the U.S. Government except those for the repayment of debt principal. What this means is that every dollar that comes in to the Treasury and every dollar that goes out of the Treasury will be counted in determining whether the budget is balanced.

Again, this makes sense. This is the way we run our families. We count the dollars that come in and the dollars

that go out, except for borrowing, obviously.

Much of the efforts to derail this resolution has centered on excluding certain programs from the balanced budget amendment. This all started in the Judiciary Committee when an effort was made to exclude Social Security. I find this inconceivable. Why would we adopt as part of the Constitution an exclusion for Social Security or any other aspect of the Federal budget? I am for protecting the fiscal soundness of the Social Security system. But it is absurd to exempt a program that represents 29 percent of all Federal receipts and 22 percent of all outlays. A big chunk of the budget would be disregarded in all of this process, if that had been adopted. Thank goodness, it was rejected.

Exempting Social Security receipts would provide a perverse incentive for future Congresses to shift Social Security revenues to the general fund. This should be very attractive since the program currently collects more in revenue than it pays out in benefits. But this would undermine the actuarial balance of the Social Security trust fund, and would certainly require draconian changes in the future in order to stave off bankruptcy when the baby boomers retire.

Critics of the balanced budget amendment have argued that it is a sham, that it avoids, as I mentioned previously, the tough choices required to balance the budget. I disagree. What this represents is the first and most important step in a long and difficult journey to fiscal responsibility. It symbolizes the tide has finally changed; we are committed to living within our means, and we are willing to embody that principle in the basic document of the Nation, on which the foundation of all our Government rests; namely, the Constitution.

Other fiscal disciplines we have enacted, while they are important—and I voted for every single one them—have not done the job. The Gramm-Rudman-Hollings deficit control laws, the firewalls, the discretionary spending caps, the pay-as-you-go rules—all of these we have tried. As I say, I voted for every single one of them, and have supported them when they have attempted to be amended. But they failed to break the attractive lure of deficit spending.

Opponents have also argued we should not pass a balanced budget amendment until the supporters of it outline specifically how we reach that goal. This is nonsense, in my judgment. It is like a doctor saying you have to lose 40 pounds. ''I am not going to lose 40 pounds until you tell me specifically how I am going to do it.'' Well, the objective is, if you want to keep your health, you had better lose that 40 pounds. There are a variety of ways you can do it. You can work those out yourself, as long as you get there, to lose the 40 pounds. You can go on a diet. You can eat less. You can go through health plans. You can exercise more. You can try different approaches. But the end result is you have to get there. That is what we have said.

The so-called right-to-know amendment to the resolution before us really is a smokescreen thrown up by those who had no intention of supporting this proposal, whether or not we had outlined the specifics as to how we are going to get there. The fact is, there is no agreement upon the path to reach a balanced budget. The path that I would subscribe to is likely different from the path that others would subscribe to. Any plan will be the product of numerous compromises and the give and take of a normal political process. All that is going to take place once the requirement is established.

To those who do not support the resolution before us, the question is: What would you do? How would you get there? Are you content with the current situation where the annual deficits exceed $200 billion, and in the foreseeable future going up greater than that? Ten years from now, it will be $451 billion, as I said. Do people believe we can put this problem off for another day; that somehow it is going to get easier? Do you believe we are improving our children's future by dropping this massive debt in their laps? Every previous effort to balance the budget without an amendment to the Constitution has been a failure, as I mentioned. Why has that been the case? The answer is simple. Once the targets become too difficult to meet, Congress changes the law or budgets.

This resolution makes it difficult for us to avoid our responsibilities. The task is monumental, but the consequences for our failure are far worse. If this amendment is defeated, the ones who will be hurt the most are future generations of this country.

So for our children's and our grandchildren's sake, and for those of future generations, I fervently hope that this balanced budget amendment is approved here, and approved in the States likewise.

I thank the Chair.

Mr. BURNS addressed the Chair.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BURNS. Mr. President, I rise today in strong support of the balanced budget amendment to the Constitution. I do not think I have seen a time in my life when we have approached a crossroads where the decision could be clearer, especially when we have people all over this country at all levels of government—from the county level, the city level, the State level—reassessing the primary role of government. What is the mission of government? What is the mission of a city government, of a county government, or of the government that most of—and, of course, the legislatures that are in session across our Nation today reassessing the role and what their missions really are? And, yes, we are going through that here in this town, the role of the Federal Government. There will be some who will simplify things and say that the role of the Federal Government is simply to deliver my mail and protect my shores. Other than that, that is about as much as I need out of Washington, DC. But we know it goes a little further than that. Anybody that has any degree of responsibility understands there is more to it than that. Nonetheless, the elections of November 8, as bad as someone would like to admit, did tell us to sit down and rethink just exactly what the role and mission of the Federal Government really are.

I can honestly say that this issue has really been talked about and studied for the last 4 weeks, completely aired on all ramifications of it, and that is the way the Senate is supposed to work. I could not agree more with my friend from West Virginia, who probably has the strongest sense of the duty and the responsibility of this body. I think we on this side of the aisle have approached it the same way. There has been no real serious move to cut off debate, as we want to hear all sides of this story, because we are talking about a subject that has very serious ramifications from this town, to the White House, to the courthouse. But we must take stock, and it is what I believe would put America back onto the road of steady economic growth and stability.

After years of talking about balancing the budget, instead of just tinkering around the edges of the deficit, it is time now to take action. It will impose a discipline on the budget process, and it will impose a discipline on this Congress. Past efforts to balance the budget have just been able just maybe, at times, to put dents in the deficit, but no dent at all in the national debt that keeps climbing. We hear two words being interchanged a lot in our news accounts—debt and deficit. They say, if you cut the deficit, you are cutting the debt. Well, basically you are only cutting the degree to which debt is accumulated. We deficit spend and we create or accumulate debt.

So this will put more than a dent in it, we hope. This measure would actually put some teeth into the efforts to balance the budget. In other words, we might turn the old saying around and say the bite will be worse than the bark. So on this issue the bottom line is one of responsibility—responsibility to every citizen in our country and future generations and to economic prosperity. It is time that Congress lives up to its future obligations and, of course, take responsibility for our actions. We have to ask the American people to help us. This is a crisis. It is as much a crisis to our economic freedom as it is if we were in war and our political freedoms were at stake.

I am being told by the citizens of Montana, yes, we are willing to fight this with you. We cannot do it alone here in this body or in the other body,

the House of Representatives, or in this Government, unless we get support and cooperation from every citizen across this great land. They understand what is at stake. They understand that it takes sacrifice. They understand in their daily dealings with everybody else in the business world, or the paternal world, that they have some obligation to their communities, their churches, their schools, and their friends, and they are willing to go down the road shoulder to shoulder and help us get this done. It is obligations, and not only ours here, but also for every man, woman, and child that lives in this great country. We have been living on the credit card for quite a while. Now is the time to put away those credit cards, get serious about paying off the overdue account, the incessant spending; and borrowing, of course, must cease. The debt of more than $4.7 trillion is going to continue to climb, unless we get America's help—help to keep this Government from this business of spend and borrow, spend and borrow.

There have been a couple of packages that have come up that had tax hikes in them in the last 5 years that I can remember. I voted against each one of those because not only inside that was taxes, new taxes imposed on this country in one way or the other; some called it user fees, and some were called something else. Nonetheless, it was an increase in taxes because there was no cutting on the other side.

I have heard a lot of folks stand on this floor and be critical of the Reagan years when we, yes, cut taxes, but we did not stop our spending. There is enough blame in that to go around for everybody. I was not here then.

So we will break the cycle of continued deficit spending at the risk of our long-term economic security. We cannot and must not ruin our health now for short-term gains. So the reckless spending must come first and be put under control. For as long as I have been here, I have been concerned with spending. It is difficult to challenge the balance of the needs of our country with revenues we do not have without resorting sometimes to more taxes or higher debt. We had an obligation and we had to fulfill that obligation. Now we must find a way to balance obligation with responsibility.

We have heard the arguments here against the balanced budget amendment. The arguments show more than anything else how this is not a gimmick. There are those we have heard say this is a political gimmick and that we are posturing with the American people. But I tell the American people that nothing could be further from the truth. Forty-seven other States, including my State of Montana, already maintain a balanced budget. I was a Yellowstone County commissioner, the largest county in Montana. We were forced to live within that budget. We had a special initiative called 105 that we could not raise property taxes in order to provide the needs and services in a county called I–105.

We dealt with that. We also had, in the middle of the 1980's, a declining tax base. Agricultural land went in the tank. We maintained that. We were forced to balance the budget, so we made some of those very, very, very tough decisions.

And those people who were in charge of the different departments in the county came in and said, ''OK, we can do it with this, if there are promises for later.'' But we could not promise anything later, so we lived within that budget.

I tried to keep my own family on a budget and every time we got off of it, we paid for it. We paid for it every time.

So it is time the Federal Government becomes an institution which has to take care of its checkbook, too. The challenge lies with all of us. The challenge is the spending priorities for our Nation. It will force us to set priorities to see what this mission is all about, this goal or role of Government.

The Federal Government consumes 23 percent of the GDP now. The current projected growth rate of spending at 2 percent a year is a lot faster, 2 percent faster, than our economy. So what do you do? You pull up your belt and the reins at the same time.

If seems funny to me that we are reluctant to set priorities. What is really important to us as a community? Would it surprise you that there are actually organizations that are not Government organizations that are willing to assume the responsibility of taking care of those things that add to the quality of life of our own neighborhoods and much our own communities? Would it surprise you that service clubs and many organizations and our churches and how many fraternal organizations are willing to take on a little bit of responsibility for the quality of life of all the citizens that live in that community? They are not asking the Government for anything. They say, ''Just stand back. Let us take care of ourselves.''

You know, we used to do that. We used to build great homes. We used to build facilities to take care of our own, so to speak. What happened to that? Did Big Brother step in and say, ''We can do it better,'' and so they loosened the ties that we had in our communities?

They worked pretty good for a long time; built a great and free nation. No other nation is as free economically, politically, or even in private rights as this country is. No other country can feed and clothe itself as well as this country can. No other country has a food production and processing and distribution system like this country has.

Government did not build it. Americans built it, because of not only a sense of duty but also a sense of feeding and clothing ourselves in this great society.

So there is plenty of room to cut in the $1.6 trillion budget. I am sure that we can cut out a little waste and look at the priorities that we are going to have to set in order to keep this society on an even keel.

Balancing the budget is going to take some hard decisions, some political, very distasteful decisions, but the reward will be a balanced budget and a more prosperous America. And the real growth of America will start at the grassroots.

It may surprise more of our friends that the new wealth created by any society, the new wealth starts with the soil. It is renewable. It comes every year. And, God willing, it will feed and clothe us forever. As we look at that, then we must get our house in order here.

So I beg my colleagues, I implore them, to pass this balanced budget amendment. There will not be a more important vote that you will cast for responsibility—and, yes, an obligation to the American people—than this vote you will cast this week on the balanced budget amendment.

I want to congratulate my friend from Illinois, PAUL SIMON, who is on the floor, for the work he has done with this. His roots are in southern Illinois, where traditions of communities and families go deep, a great sense and a great tide of the land, middle America, that understands what communities are all about. They know it takes money to provide Government services. They also know it takes responsibility and a little bit of reality to make it work here in America.

This is an important vote. It is an important vote for all of us who call ourselves Americans.

I know that there are those who would make the argument that we are tinkering around with the Constitution. But I think it was even Jefferson who feared the day when we could learn to borrow money against future collections on taxes.

Even George Washington—and the other day, Senator CRAIG THOMAS, of Wyoming, read George Washington's Farewell Address; and I had the great privilege of reading that myself—one of his fears was public debt.

But Jefferson went on to say that this Constitution every now and again needs to reflect the needs of the time, to be changed to deal with the needs or the emergencies of the time. So those who would fear change, I do not think this change is not unwarranted.

A vote ''yes'' on this amendment would do much to restore the accountability and responsibility of this Congress in the eyes of all citizens in this country.

Thank you, Mr. President.

I yield the floor.

Mr. ABRAHAM addressed the Chair.

The PRESIDING OFFICER (Mr. ASHCROFT). The Senator from Michigan.

Mr. ABRAHAM. Thank you, Mr. President.

I rise today, once again, one final time, in strong support of the balanced budget amendment to the Constitution and to urge my colleagues to support this amendment.

Last November the American people sent a clear signal to Washington. They made clear that they are tired of business as usual. They made clear that they no longer will accept, or re-elect, representatives who do not take their responsibilities seriously. They made clear that we must put our financial house in order.

Only when we have re-established order can we again represent the people's interests as we should. Only when we have re-established the discipline necessary to make hard choices can we begin again to recognize what is important and what is not so important.

Only when we begin to balance our own budgets—to sit down and decide how much of the people's money we can afford to spend—will we again have fully earned their trust.

The simple fact is that we are spending more than we should as a government. We are spending the people's money on things the people do not need, or that the people of a free country can more safely and efficiently provide for themselves.

The people demanded a more efficient government this past November. They also demanded a smaller Government. One that is more careful in how it spends their money and more careful not to interfere unduly with their lives.

We have a bloated, inefficient Government because for decades Congress has not felt the need to sit down and decide what it has a right to spend the people's money on, and what we must, as a government, do without.

You see, those who oppose the balance budget amendment, or complain that it will cause too much pain, ignore the pain our current irresponsible deficit spending already causes. Our spiraling debt inflates interest rates, it causes economic dislocation—and higher taxes on the American people. Worse, it leaves our children and grandchildren a legacy of debt.

After all, every year we must pay hundreds of billions of dollars to retire old debt, even as we add new debt. Our current irresponsible spending causes economic pain; pain which will only get worse if we allow it to continue.

This amendment will not suddenly eliminate Federal spending. It will not even suddenly eliminate deficit spending. Until the year 2002 we will continue to spend more than we take in—only at a less horrifying pace. But this amendment will reintroduce discipline to the budgeting process and help us get a grip, once again, on our spending priorities.

It will force those of us in this Chamber to actually sit down and decide what our priorities ought to be. Instead of spending money on everything, we will, for a change, debate which programs we should, and should not, fund at the taxpayers' expense.

The amendment will help reduce the size of Government by severely limiting the option to borrow money. Currently, when faced with demands for more spending, the Congress makes the easy choice to borrow money. Under the balanced budget amendment, Congress will be forced to make the tough choices.

In this way, unless we are in the midst of a crisis severe enough to produce a supermajority in favor of deficit spending, Congress will be forced to control its appetite for spending, or select the even less desirable alternative of raising taxes.

No longer will we be able to borrow against our childrens' future. No longer will we be able to continue increasing the size of Government, oblivious to its costs to our pocketbooks and our liberties. No longer will Government be able to duck responsibility for the way it spends the people's money.

Mr. President, I remember well what the folks in Michigan told me when I was campaigning for the Senate a few months back. From Detroit to the Upper Peninsula, from Grand Rapids to Saginaw, Michiganders all expressed the same confusion about the way Congress does business. They could not understand why Congress could not operate the way they did in their families or the way businesses did in trying to meet a bottom line.

The people did not ask for a fancier bookkeeping method that will make it look as if the budget is balanced when it really is not. They did not ask for a balanced budget except for this or that program. A balanced budget means just that. If you put spending programs off budget you are simply fooling yourself and the American people.

But the people were not asking that we budget exactly as if we were a family. The big difference between Congress and a family is that a family is spending its own money. Congress, on the other hand, is spending money entrusted to it by the people.

If a family decides to buy a home it will go into debt as it invests for the future. But the Government is not a family. Government is the servant of families. It is our duty to spend no more of families' hard-earned money than we need to.

And massive public spending projects all too often are boondoggles rather than good investments for America's families.

In fact, it seems to me we should not even need to debate the need for a balanced budget amendment because over the last 25 years Congress has proved that it is incapable of managing effectively the Nation's pursestrings.

And President Clinton's latest budget makes clear that he has no intention of doing anything to fight the deficit in the years ahead. According to his own budget projections, Federal spending will grow from $1.5 trillion in 1995 to over $1.9 trillion at the turn of the century.

Deficits will remain near $200 billion in every year through the year 2000. That means that between now and the end of the century we will add well over $1 trillion to the deficit.

I think that the choice is clear. Either we continue spending trillions of dollars we do not have, or we get our financial house in order. Either we give up on the idea of getting our spending under control, or we pass a balanced budget amendment. Either we do the job we were sent here to do, or we continue to spend our childrens' and grandchildrens' money and leave them to foot the bill.

Now, some of my colleagues have said that they like the idea of a balanced budget—but they fear one or another horrible unintended consequence of this amendment. From judicial budget writing to Presidential impoundment, some Senators fear there are dangers lurking in this amendment, dangers to our status as an institution and to the Republic itself.

Mr. President, we must not shrink before these phantom dangers. This amendment is a model of clear, concise drafting. It does a single thing, and does it well. It says that Congress now must balance its budgets the same way families and businesses do—by spending no more than it takes in.

I will not restate all the arguments again here. But it is clear to me that this simple, policy-centered amendment will provide the discipline we in this institution need to rethink our priorities and get spending under control—and nothing else.

We should concern ourselves less with phantoms and more with our responsibilities to our Nation and to our families.

Mr. President: My family is important to me. I work in large part so that I can pass on something to them. I hope I can pass on a little wisdom. I want to make sure I pass on some decent habits of hard work and honesty. And I also want to pass on as much economic opportunity and security to them as I can.

Trillions of dollars in debt is not my idea of a good inheritance to leave to my kids. Neither is a government that has gotten out of control, that spends money with little idea of what is important, that has no discipline in its budgeting procedures, that interferes with the daily lives of its citizens simply because to do so is cost-free.

Let Members protect our children from debt and from irresponsible government. Let Members limit government and expand freedom. Let Members pass the balanced budget amendment.

I yield the floor.

Mr. SIMON. Mr. President, I probably agree with the editors in the New York Times 90 percent of the time. Today they have an editorial on ''Unbalanced Amendment,'' which shows an emotional attachment to a position that I

do not think is very rational. I ask unanimous consent that their editorial, be printed in the RECORD at this point.

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

UNBALANCED AMENDMENT

Tomorrow's vote in the Senate on the balanced-budget amendment is crucial for the Republican agenda to chop Government programs into bits. The outcome is also crucial to the nation because the pernicious amendment would do enormous fiscal damage. Proponents are alarmingly within three votes of winning.

The core of the amendment would require the Government to balance its books unless three-fifths of the House and Senate vote to run a deficit. To the wavering Democrats—John Breaux of Louisiana, Sam Nunn of Georgia, Wendell Ford of Kentucky, and Kent Conrad and Byron Dorgan of North Dakota—here are five unassailable reasons to vote no.

Unnecessary.—Federal deficits have indeed been too high. That poses a threat that borrowing will siphon savings away from productive private investments.

But the fact that borrowing must be contained does not imply it ought to be eliminated—any more than family borrowing, to buy a house or pay college tuition, need be eliminated. A prudent rule would keep Federal debt growing less quickly than incomes. This rule would justify deficits of about $200 billion a year, close to current levels.

Misleading.—Proponents claim the amendment would protect future generations against ruinous interest payments. True, today's children will owe taxes when they grow up to pay interest on Federal debt. But proponents ignore the fact that the tax payments will flow right back to these children as owners of Government bonds.

Unenforceable.—Because key terms of the amendment—like outlays and receipts—are undefined, Congress will be able to manipulate and evade. Can Congress create independent agencies or find other ways to spend and borrow off the Government books? A Senate committee has already written into the legislative record, used to guide future court decisions, that the Tennessee Valley Authority would be exempt from the amendment. It should take lawyers five minutes to stretch whatever ''principle'' guides that exception to scores of other Government programs.

The amendment also fails to provide an enforcement mechanism. It might simply become an empty gesture or, worse yet, the courts might step in to tell Congress how much it should tax and where it should spend.

Irrational.—Federal bookkeeping lumps ordinary spending with long-term public investments. Congress, forced by the amendment to cut quickly, would go after hugely expensive, though vitally important, investments, such as scientific research, costly laboratories and equipment, job training or other investments that would not produce benefits for years, if not decades.

Reckless.—When the economy slows, tax revenues fall off and spending on unemployment insurance and food stamps rises. This automatic rise in the deficit, by triggering spending, serves to mitigate the slowdown. But under the proposed amendment, Congress could easily turn a mild downturn into something worse. Unless a three-fifths supermajority saves the day, Congress would have to raise taxes and cut spending in a slow economy—the opposite of responsible stewardship.

Take another unintended consequence. When savings and loans went bankrupt during the 1980's, the Federal Government bailed out depositors with borrowed money, thereby preventing a banking panic. But under the proposed amendment, the Government could not react instantly unless a supermajority in Congress approved.

The balanced-budget amendment appeals to taxpayers who demand that the Government spend their money wisely. But Senators Nunn, Ford, Conrad, Dorgan and Breaux need to recognize that this honorable sentiment cannot be wisely embedded into the Constitution.

Mr. SIMON. Mr. President, I would like to comment on the editorial.

First, they say it is unnecessary. Federal deficits have indeed been too high. That poses a threat that borrowing will siphon savings away from productive private investments.

Clearly, that has happened already. The Federal Reserve Bank of New York said between 1978 and 1988 the deficit cost 5 percent growth in our national income.

But the fact that borrowing must be contained does not imply it ought to be eliminated—any more than family borrowing, to buy a house or pay tuition need be eliminated.

I will get into that because that is stressed later.

A prudent rule would keep Federal debt growing less quickly than incomes. This rule would justify deficits of about $200 billion a year, close to current levels.

That is what the GAO calls stumbling along at the present level. But, in fact, the CBO forecast is that those deficits are going to escalate, and escalate significantly. We have shown we do not have the political will to do anything about it.

That is the simple reality. In 1986, this House, by one vote, failed to pass the balanced budget amendment. Then the debt was $2 trillion. Now it is $4.8 trillion and we are hearing the same arguments again, that we can do this without a balanced budget amendment.

Second, they say the amendment is misleading.

Proponents claim the amendment would protect future generations against ruinous interest payments. True, today's children will owe taxes when they grow up to pay interest on Federal debt. But proponents ignore the fact that the tax payments will flow right back to these children as owners of Government bonds.

I would make three points here. One is, Thomas Jefferson said one generation should no more be willing to accept the debts of a previous generation than the debts of another country. Thomas Jefferson was right. Second, this argument that this interest just flows back into our own hands ignores the reality that we have somewhere between $650 and $800 billion owned by other countries, people in other countries. In fact, foreign aid to the wealthy of other countries is at least double the foreign economic assistance we give to poor people. And that foreign economic assistance to the wealthy is through our indebtedness. Third, this editorial ignores the redistribution effect of the interest.

Who pays the interest in our country? By and large, people of limited means. Who collects the interest? Those who have enough means to own the T-bills. That is not the average citizen.

That is redistributing money to those who are more fortunate. It is interesting, of the $339 billion we are estimated to pay for interest this year, that is roughly twice what we will spend on our poverty programs, 11 times what we will spend on education, and 22 times what we spend on foreign economic assistance.

Then they say it is unenforceable. If it were unenforceable, my good friend—and he is my friend—Senator BYRD, would not be fighting this amendment like he is. Of course, it is enforceable. They say the amendment fails to provide an enforcement mechanism. When you require a three-fifths vote for the increase of the debt, you have a very powerful enforcement mechanism.

They say it is irrational, Federal bookkeeping lumping ordinary spending with long-term public investments, a point they made earlier. The reality is, while a family has to borrow for a home or a college education, the Federal Government does not, and frankly, even a State the size of Illinois does not have to. I served in the State legislature for 14 years and served 4 years as Lieutenant Governor. A State the size of Missouri—and I do not mean this disrespectfully of the State of the Presiding Officer—is in a little different situation than a large State. But in the State of Illinois, frankly, we do not need to do it and the Federal Government does not need to do it.

It is interesting that the long-term investment has gone down as the deficit has gone up. In fact, the argument is just the reverse, and I would point out also—and I mentioned this on the floor several times, and the Presiding Officer has heard me mention this, I am sure—when President Eisenhower, to his great credit, proposed the Interstate Highway System, the largest single capital project in the history of humanity, he suggested issuing bonds. Senator Albert Gore, Sr., the father of our present Vice President said, ''Let's not issue bonds. Let's increase the gasoline tax and do it on a pay-as-you-go basis.'' Fortunately, he prevailed.

As of a year and a half ago, the estimate was we had saved $750 billion in interest.

Then they say it is reckless; when the economy slows, tax revenues fall off and spending on unemployment insurance and food stamps rise. This automatic rise in the deficit by triggering spending serves to mitigate the slowdown. Study after study, including the unanimous report of the Joint Economic Committee of Congress, then chaired by Senator Lloyd Bentsen, said we respond too slowly in emergencies. And because of the deficit, we have simply been unable to respond.

When President Clinton suggested that we spend $15 billion on a jobs program to stimulate the economy, and $15 billion is not much in a $6 trillion economy, we were not able to get $15 billion passed. I voted for it, but we could not do it.

Former Assistant Secretary of the Treasury Fred Bergsten, who served under Jimmy Carter, said that if we would plan for a 2-percent surplus and then we could have a triggering mechanism so the President could respond when unemployment passed a certain level in any region, then we could respond quickly. We can respond just as quickly and more quickly with a constitutional amendment.

Finally, let me make three other points. One is the New York Times editorials have consistently ignored economic history, and I have to say the Washington Post editorials have done the same. They just act as though we are dealing by ourselves with an absolutely new initiative and no other nation has ever gone through this debt before.

The reality of the history of nations is that they pile up debts and pile up debts and then they become so bad they start monetizing the debt; they start printing money. And we are headed to do the same thing. Nations have done that historically when they get around 9, 10, 11 percent, except in a wartime situation where there is a freeze on private and public spending.

We are heading, according to CBO, to 18 percent. We can take a chance that we will be the first Nation in history to be able to do that without monetizing the debt. But what a chance for the future of these pages and my children and my grandchildren. We should not be doing it.

Second, it ignores the reality that the General Accounting Office and CBO and Data Resources, Inc. and everyone says if we balance the budget, we will improve the standard of living of our country. GAO says balance the budget and in two decades you will have an increase in the standard of living of approximately 36 percent. That type of economic information is totally ignored by this New York Times editorial.

And finally, not so much in this editorial but in others, and all the horror stories that have been spread around here about what is going to happen to social spending, what is going to happen to this or what is going to happen to that, how do we get there? There are two options.

One is if you do not make any changes in Social Security and if interest rates do not go down, and every projection is that they will go down but you would have some savings on interest because you would not have as much of a large deficit, we would have to limit non-Social-Security spending growth to 1.7 percent between now and the year 2002. That is doable.

Let me put it another way. Revenue in the year 2002 will be approximately $300 billion greater than what we will spend this year. What we have to do between now and the year 2002 is to control the growth of spending so it does not exceed that amount. That is doable.

Is it going to cause a little pain? Of course, it will. If there were not pain, why, we could pass a balanced budget; we would have done it a long time ago. We need the discipline of something to force us to do the right thing. So my hope is that tomorrow we will do the right thing. This is my 21st year in Congress. This is the most important vote I will have cast in those 21 years. We are talking about the future of our country.

We make a lot of short-term decisions because of one thing or another, and I am as guilty of that as anyone. Here is one where we ought to ask ourselves not which party is going to benefit, not what it is going to do to each of us politically—and I realize it is easy for me since I am not going to be running for reelection—we ought to be asking what is going to happen to the future of our country. I think if we ask that question and dig, the answer is fairly obvious.

Mr. GLENN addressed the Chair.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. GLENN. Mr. President, the real question here has been brought out repeatedly in this debate. What we have heard over and over and over again is that we need the balanced budget amendment because we need something to force us to act responsibly; we need something to give us political courage; we need something that says, ''I am going to put a gun to my head and I'm going to say I'll shoot if you don't prevent me from spending again.''

We need the discipline. We have heard that word over and over. And we have heard repeatedly, both here and over in the House, the term ''political will.'' They say this forces us to have the ''political will.''

Well, Mr. President, I do not believe that anyone worthy of being a U.S. Senator needs such legislation to gain political will—if they are doing their job properly. We are capable of spelling out just what steps we need to take, and our knees will not buckle when we know the truth, as was stated by one of the Members of the House. How do I know that? Because just 2 short years ago, the Congress voted for the largest deficit reduction package in history. Why so many people refuse to remember that, I do not know.

With passage of that single bill, the budget deficit was cut by over $500 billion. And, I must add, we had to do it without a single Republican vote in either the House or the Senate. In fact, the Vice President had to break the tie in the Senate.

President Clinton said 2 years ago, in both public and private conversations, that the most important thing is health of the economy.

His campaign commitment on deficit reduction was not just election year rhetoric. In the first year of his Presidency, he presented a clear agenda for deficit reduction. He offered us real specifics, not a lot of rhetoric but real specifics—a program that combined both spending cuts and new taxes. He had the guts to do that.

Mr. President, how did we do that? The President made his proposals. The Democratic Congress responded, and said OK, we will take on your deficit reduction agenda. We know it is going to mean tough votes, but we are going to do this.

So it came up here to the Hill, and we farmed it out to various committees, and the committees were given assignments, so much of a cut per committee. And those were tough cuts and tough votes—tough, tough votes. And they were brought back here to the floor where we voted them out of the Senate. They went to conference with the House, and the conference package came back. And we voted it out—a tough vote as reflected by the fact some Members of the Senate were probably not reelected because of their vote on this package.

I do not know why—with the deficit reduction record we've achieved over the past couple of years—the Republicans do not do the same thing right now. Instead of talking about grand ideals—be specific. Do not say trust us and we will tell you later how we are going to do this. That is not how we did it during that reconciliation vote in August 1993, less than 2 years ago. We stood up and made the hard choices at that time, and that is what we should do in dealing with the deficit. That was a tough package in the Senate and in the House. In fact, it came up to a 50–50 tie, one of the more dramatic moments in recent years in the Senate, and the Vice President had to break the tie during the vote in the Senate.

Now, that bill became law despite the lack of bipartisan support, and we are now seeing our third year of declining deficits. Why do people ignore that? When that bill was passed, our deficits were going up and they were estimated to be close to $300 billion a year. The next year they went down to $250 billion. They are estimated to be around $190 billion a year now. But the proponents of this bill make a lot out of the fact that the President said, well, we are going to have deficits of $200 billion a year from here out into the near future.

I do not like that either, but I can tell you what we ought to be concentrating on. Instead of a balanced budget amendment with all of its disadvantages, we should be concentrating on how to continue this trend of deficit reduction. For the first time since Harry Truman, we have seen consecutive years of deficit reduction.

The President deserves a lot of credit for that, and the Democratic Congress deserves a lot of credit for that because we are the ones who put it through. I

think we should be taking great pride in that.

We do not need a balanced budget amendment to give us guts. Political courage should not stop at the middle aisle in this Chamber. It should be all across this Chamber. We demonstrated less than 2 years ago that that is the way to cut the deficit; not by some legislation that is supposed to instill a false sense of courage or a political will that we would lack otherwise. This new sense of courage is supposed to come from the fact that we will blame hard choices on the balanced budget amendment.

We do not have to say that we lack responsibility or political will. We can do it. We know we can do it because the Democrats in this Senate did it before. And we can be very, very proud of that.

Mr. President, when we have asked for specifics during this lengthy debate on whether taxes would be raised or on what would be cut, we have been stonewalled on the other side and amendment after amendment after amendment has been voted down to show that they mean business over there. They are not going to tell us how we will go about cutting programs or what will be threatened. They just want the balanced budget amendment to hide behind.

Now, what if I would say to those watching at home, your Social Security is going to be cut.

Oh, no, no, no, the proponents of the amendment say, we plan to take that off the table. That is going to be off budget.

Well, if that is the case, then your Medicare is going to be cut. Oh, no, no, no, they say, that is not going to be cut. We are going to leave that off budget over here some place. Well, we know that national defense needs to be continued. It is not going to be cut substantially. In fact, the proposal is to increase national defense just a little bit, and I go along with that.

Now, if you take Social Security, you take Medicare, and you take defense off, what does that result in? I can tell you, if you are going to put a balanced budget amendment in, it means that every other function in the budget has to be cut by well over 30 percent—every other function: AIDS research, cancer research, you name it.

Oh, well, we would not cut those. That means something else then is going to get cut double so you can keep up with AIDS research and cancer research and the other programs we would like to keep.

Now, what if we included a couple of the other things I think would probably not be voted out here. Take tax cuts. Those are going to be put in. Take veterans programs, veterans retirement off, civilian retirement for civil service people who have retired. If you just add those things to it, do you know what we come up with?

We come up with the fact that every other function in the Federal Government would have to be cut by over 50 percent—every other function of Government—including health and safety matters—every other function of Government. And yet we are supposed to vote for this and say we are going to put a gun to our heads and say we are going to force ourselves into this straitjacket so we will have this balanced budget amendment to hide behind when we start cutting such programs.

Mr. President, I disagree with this approach. We need to be honest. If certain programs are going to be on the table, the American people need to know they will not be sacrosanct.

But some people who say we would not dare cut Social Security would—these same Senators—would not vote to exempt Social Security from the balanced budget amendment here on the Senate floor just last week. They would not vote to set Social Security aside. No, it is still on the table. So believe me, whether they like to say so or not, your Social Security benefits are in danger because everything is still in play. Everything is still in play. And to the States that are so concerned about unfunded mandates out there, wait until you look at that billions of dollars you are receiving every year for environmental concerns—just for environmental concerns such as clean air and clean water.

What happens to that? You can bet that is going to get cut back, and so all the Governors who have been here so concerned about this—and some of them supporting a balanced budget amendment—better look to what is going to happen to their Federal funding once something like this goes through.

Mr. President, I believe we have had a good debate here in the Senate on the balanced budget amendment. We did not push it through for the sake of press releases and false deadlines. We did not set ourselves so many days and say we have to do this or else, because we take amendments to the Constitution very seriously in the Senate—very, very seriously indeed.

I believe that the debate in the Senate has served to unearth some other very serious flaws with the balanced budget amendment. I wish to spell out what some of these other problems are besides the ones I have already mentioned—and to explain why I believe they make this balanced budget amendment unacceptable.

Mr. President, as I stated earlier, the first step should have been to map out a plan to reach a balanced budget. That is why I supported the so-called right-to-know-amendment offered by the distinguished Democratic leader, Senator DASCHLE. We are now hearing there will be plans announced at a later date to balance the budget by the year 2002.

Mr. President, when I talk to people back home in Ohio and when I visit back home in Ohio, people throughout Ohio feel they have a right to know up front how their lives are going to be affected, how their Social Security will be affected, how their Medicare will be affected, how their retirement will be affected, how their children will be affected. They want to know up front how we intend to achieve a balanced budget.

Mr. President, while we debate the balanced budget amendment, we are seeing more headlines about tax cuts than about deficit reduction. Many of the proponents of the amendment, who should be laying out deficit-reduction proposals, are busy preparing tax-cut plans. Does that sound familiar? It reminds me of the very strategy that added more than $3.5 trillion to our national debt. Then, like today, there was a lot of talk about balancing the budget but almost no talk about how to get there. Instead we had feel-good budget plans. Cut taxes, smile, be happy—it is morning in America.

What did we do back then? We cut taxes by one-fourth over a 3-year period of time, 5 percent the first year, 10 percent for each of the next 2 years. That was supposed to result in such economic growth we would not wind up losing money, we would wind up earning more in revenue because of the increased economic activity.

It just did not work. That is what gave us the additional $3.8 trillion in debt that occurred over the 12 years before the Clinton administration. I take some Democratic responsibility for some of that, and for this reason. Back during the Jimmy Carter years when he was President, remember, we had 21-percent interest rates and 17-percent inflation rates for a while. Everybody was scared. I was, too. I was afraid what money I had was in jeopardy during a situation like that. I think that lack of control of the national economy is one of the things that led to the election of President Ronald Reagan. Then he came in and made his big proposals for supply-side economics, and those went into effect, and we have seen the budget deficit going up—not only the budget deficit but the national debt going up ever since.

If we do everything the proponents say they want to do, take defense, Social Security, and Medicare off the table, we are faced with a prospect, as I said earlier, of more than 30-percent cuts. Everything else in the Federal budget would have to have about by more than 30 percent cut.

And as I've said, we are not entirely sure if that will be the case because the same proponents of the amendment who say they feel Social Security should be off the table, voted against an amendment to exempt Social Security from the balanced budget amendment. They say the same about veterans benefits. They say they will not cut veterans programs. But then they turn around and vote down an amendment to exempt veterans programs. So nobody is exactly sure where they stand with this amendment. It is all speculation because no one is being told what will be cut, whether taxes

will be raised or anything else, for that matter.

I submit that my constituents in Ohio are the taxpayers and they have a right to know in advance what the impact is going to be on their lives if we put the balanced budget amendment into effect. We can spell out for the American people how we will reduce the budget. We do not need a balanced budget amendment. We on the Democratic side did that in the summer of 1993. President Clinton made his proposals that led to deficit reduction of more than. We did it, and we did it without a single Republican vote from the other side of the aisle.

So this idea that we do not have political courage, we do not have guts enough to make some of these hard decisions, fall on deaf ears, as far as I am concerned. We did it and we can do it again. What I would like to see, instead of these $200 billion deficits continuing as projected, is for us to come up with real proposals for continued reductions. What we should be doing instead of debating a balanced budget amendment, is try to decide how we will keep that reduction going.

I want to see us achieve a balanced budget by the year 2002. I think we should start moving in that direction immediately—start working on it right now. I intend to support an amendment offered by my distinguished colleague from Arkansas, Senator BUMPERS, which will require that our congressional budget resolutions from here on map out specifically how to reach a balanced budget by the year 2000.

Do we have courage enough to do that? I hope we do. Real political courage is a true alternative to the balanced budget amendment. The problem with the balanced budget amendment is that it brings with it so many unintended consequences. First, it threatens the separation of powers, so carefully laid out in the Constitution. According to former solicitor and Federal Judge Robert Bork, the balanced budget amendment, and I quote him, ''Would likely result in hundreds if not thousands of lawsuits around the country, many of them on inconsistent theories, and providing inconsistent results.''

In fact, the judicial consequences of the proposed amendment have brought together an unexpected alliance of legal scholars who oppose the amendment. Conservatives such as Bork and Robert Fried and liberals such as Archibald Cox and Laurence Tribe all think it is a serious mistake.

I fear activist Federal judges, trying to enforce the balanced budget amendment, would place themselves in the role of elected officials. These judges, appointed for life and insulated from the people, could usurp the power to tax and spend from elected officials. I believe our Founding Fathers, who fought a revolution against taxation without representation, would be shocked at that potential prospect. If the judiciary had a case before them and said, OK the Congress has not balanced this budget as the Constitution requires, what shall we do? Would they then say we will just cut certain programs? Or will they say one of the options is to tax? They might give the remedy. No one says they cannot do that. How do we deal with that? Some say the Missouri versus Jenkins precedent which opened up such a possibility should not be read in this way. Some state the courts have grown less activist and less likely to enter this sphere.

I remind my colleagues, the Constitution will last throughout future generations of Americans. The judiciary of the future may or may not be activist, and it will be interpreting evolving precedents that we cannot predict. That is why I have and will continue to support amendments to the balanced budget amendment to add predictability to the area of judicial review and ensure the balanced budget amendment will not simply become a full employment act for lawyers.

I am also deeply concerned about the impact of the amendment during tough economic times. There has been a great deal of discussion on the floor about this topic by other Senators. In times of economic downturn, our economy would be placed on autopilot. The economic downturn would cause an unpredictable hemorrhage of revenues. Tax increases and massive spending cuts would be forced just at the time when a fragile economy could not sustain them. We could not do the countercyclical spending that has held us out of more depressions since those days of the Great Depression. And that is just what turned a recession into the Great Depression in the 1930's, that lack of ability to make countercyclical spending.

The supermajority requirements of the amendment would have a minority of legislators, deciding the fate of all Americans during these times. This same minority would be deciding the fate of Ohioans—or people anyplace else in the country, for that matter—who are hit by natural disasters. Over the years, tornadoes and floods have ravaged different parts of the country, as well as my own State of Ohio. The Federal Government always came to our aid. With this amendment in place, legislators who have never been to Ohio nor visited other areas impacted by disasters, would suddenly have veto power over Government compassion. Tough luck, you are on your own.

That is why I support an amendment offered by my friend from California, Senator BOXER, to provide flexibility in cases of natural disaster.

Another area of very great concern to me also is that of national defense.

The amendment has a military conflict waiver which is extremely important but it certainly does not go far enough. What happens if America faces a military threat, not a conflict? Will we be able to gear our forces up in time? If you look back over our military history at military spending, we have operated since the days of the Spanish-American War on basically a 17-year cycle. It is really striking to look at the figures. Almost on an exact 17-year cycle we have seen buildup of 7 years, followed by a 10-year reduction in the military: 7-year buildup, then a 10-year builddown. Military spending follows that persistent trend almost exactly—except for World War II, where the peak was displaced by about 4 years. But every 17 years, we seem to decide the world is safe and that we can cut back on our military budget. Then something always happens which makes us reconsider, and we begin building up again to prepare for whatever the new threat is; threats that we could not foresee, threats that we could not define when we made the cuts to begin with.

Military preparedness is not something that just happens overnight when we suddenly see a new threat. Congress is charged in the Constitution with the awesome responsibility of providing for the common defense of all of our people. Yet today, we are debating an amendment to the Constitution which I fear may not allow Congress to live up to that responsibility. There are trouble spots throughout the world that could erupt at any time.

What will our adversaries think if they know we have no ability to rise to the occasion? What about our allies? I know that many here in Congress signed the Contract With America. But we all took an oath to support and defend the Constitution of the United States. That certainly takes precedent over the Contract With America.

Mr. President, I want us to achieve a balanced budget. We took an important step toward a balanced budget 2 years ago. We need to take the same sort of action in this Congress. I simply do not believe that this balanced budget amendment, as it currently is crafted, is a wise course to follow. We have had 3 consecutive years of deficit reduction. It went from about $300 billion, down to a little under $250 billion, down to about $190 billion right now. What we need to do is plan to continue that, not just going out with $200 billion into the indefinite future, as the President's budget has proposed.

Mr. President, I come back again to where I started my remarks; that is, to ask: Why do we need this amendment to our Constitution? We are told by the other side that we need it for political courage, we need it for political will, we need it for discipline. We demonstrated political courage, political will, and discipline less than 2 years ago in this very Chamber when we voted a $500 billion budget deficit reduction package. That was a tough package. Putting it together involved many tough votes. We did it upfront in a responsible manner. We were honest. People knew exactly what we were voting on. We were accountable to the people we represent. We went home and explained why we voted the way we

did. We did not hide behind some balanced budget amendment that gives cover for those hard votes.

I think the way to go is to repeat what we did less than 2 years ago on this floor, and lay out a plan of how we will continue the deficit reduction program that President Clinton first presented, and we enacted into law. It has been effective; it has worked.

Mr. President, I yield the floor.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from North Carolina.

Mr. HELMS. I thank the Chair.

It's is no exaggeration to suggest Mr. President, the Senate is about to make one of the most momentous decisions in the history of the Nation—on the question of whether to add a balanced budget amendment to the Constitution.

On the eve of this significant vote, it is instructive to consider the counsel of our Founding Fathers on this matter. Thomas Jefferson said in 1816 that ''To preserve our independence, we must not let our rulers load us with perpetual debt. We must make our election between economy and liberty, or profusion and servitude.''

Mr. Jefferson thereby laid out the choice before the Senate—liberty or servitude. Congress, having become enslaved to deficit spending, has refused for decades to stop the practice of spending money it does not have.

How enormous is the Federal debt? For nearly 3 years, Mr. President, I have made a daily report to the Senate regarding the Federal debt—down to the penny as of the close of business the preceding day. As of close of business this past Friday, February 24, the debt stood at $4,838,340,250,340.71. On a per capita basis, every man, woman, and child in America owes $18,366.42.

The taxpayers had to fork over $203 billion in 1994 just to pay the interest on this massive debt, and that, on a per capita basis, amounts to $1,138.76 for every American man, woman, and child.

One looks back in time to see where we stood.

Mr. President, when I was sworn in as a Senator in January 1973, I was distressed that long ago, that Congress had been spending far more than it took in—year after year. Deficit spending had become a way of legislative life.

So on July 19, 1973, I offered S. 2215, a bill to require a balanced budget. It was cosponsored by the then distinguished Senator Harry F. Byrd. On that day, July 19, 1973—if you can believe this—the Federal debt stood at a relatively small figure of $455,570,163,323.85. Today, 22 years later, the Federal debt has skyrocketed to $4.3 trillion. The historical tables of the 1996 budget reveal that the interest on the money borrowed by Congress since 1973, cost the taxpayers $3,209,417,000,000.

Imagine if Congress had passed a balanced budget amendment in 1973 as proposed by Senator Harry F. Byrd and me, the American taxpayers could have been saved more than $3.2 trillion in interest alone.

The American people have difficulty comprehending the enormity of a trillion dollars. I went into the cloakroom the other day, and several Senators were sitting around. I said, ''How many million are in a trillion?'' One said ''100,000.'' Another one said, ''I do not know.'' And a third one said, ''Don't give us that. What is it?''

I said, ''There are 1 million millions in a trillion.'' Bear in mind that the U.S. Government—meaning the taxpayers of this country—owes $4.8 trillion. That dead cat lies at the doorstep of the U.S. Senate and the House of Representatives. We cannot get around it. No President can spend a dime that is not first authorized and appropriated by the Congress of the United States.

If I may return for a moment to one of my American heroes, Mr. Jefferson, he also said that ''The question whether one generation has the right to bind another by the deficit it imposes is a question of such consequence as to place it among the fundamental principles of government. We should consider ourselves unauthorized to saddle posterity with our debts, and morally bound to pay them ourselves.''

Amen, Thomas Jefferson.

That just about tells it all, certainly in terms of the moral injustice that we have been heaping upon our children and their children and their children. Nobody suggests that balancing the budget will be easy. It will be tough. It really boils down to a matter of doing what we were elected to do, and that is leveling with the people of this country.

I can debate for hours the contention that accepting a balanced budget amendment is not constitutional. However, statements like that do not make sense. I do not denigrate anybody who uses their best argument to try to defeat something that I happen to believe in.

There was another eloquent President, by the way, who spoke one time of a rendezvous with destiny. What destiny will the U.S. Senate choose tomorrow? What legacy will we vote tomorrow for generations yet to come?

Mr. President, I ask unanimous consent that the text of S. 2215, the balanced budget bill offered by the then Senator Harry Byrd, Jr., and myself, on July 1973 be printed in the RECORD.

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

S. 2215

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the ''Emergency Anti-Inflation Act of 1973''.

FINDINGS AND PURPOSE

SECTION 1. (a) The Congress of the United States hereby determines that—

(1) the Federal Government is now and has been expending funds during the fiscal yer for nontrust fund budget items in excess of revenues received from all nontrust sources,

(2) such fiscal policy by the Federal Government has resulted in substantial borrowing from both public and private sources,

(3) the aggregate of such borrowing has resulted in an exorbitant national debt totaling more than $450,000,000,000,

(4) this debt will continue to increase so long as the Federal Government spends more than it receives,

(5) the Federal Government is now paying annual interest on the national debt in excess of $20,000,000,000, and

(6) this interest payment is annually increasing as a fixed expenditure in the Federal budget.

(b) The Congress further determines that—

(1) deficit spending by the Federal Government has resulted in inflation in the Nation's economy and a lessening in the value of the dollar in terms of its ability to purchase goods and services in foreign and domestic markets,

(2) unless this deficit spending on the part of the Federal Government is discontinued a severe economic depression will result.

(c) The purpose of this Act is to require the President to submit to the Congress a budget in which nontrust fund expenditures do not exceed revenues received by the Government from nontrust sources.

SEC. 2. The nontrust fund expenditures of the Government of the United States during each fiscal year shall not exceed its revenues from all nontrust sources for such year.

SEC. 3. (a) The President shall submit a budget pursuant to the Budget and Accounting Act of 1921, as amended, in which nontrust fund expenditures do not exceed nontrust fund revenues for each fiscal year.

(b) The provisions of this section may be adjusted to reflect any additional revenues of the Government received during a fiscal year resulting from tax legislation enacted after the submission of the budget for such fiscal year.

SEC. 4. This Act shall apply only in respect of fiscal years beginning after June 30, 1974.

Mr. HELMS. Mr. President, I yield the floor.

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER (Mr. FRIST). The Senator from North Dakota.

Mr. DORGAN. Mr. President, it is not usual to hear the Senator from North Carolina quote Franklin Delano Roosevelt, but I appreciated listening to his presentation and, as always, his presentation is interesting and heartfelt.

The issue that we debate today in the Congress is not an ordinary issue or one of passing interest. It is about changing the U.S. Constitution. I know there are some people who serve in this body who support a menu of changes to the Constitution. You name it, they support it. The Senator from Arkansas said the other day—and I have not counted them—there has been nearly one proposal to change the Constitution every day that we have been in session since the first of the year, and 11,000 proposals have been offered to change the Constitution since the Constitution was written.

I have described on this floor before a day in my life that I shall always remember. I was one of 55 persons to go

back to an assembly room in Constitution Hall and celebrate the 200th birthday of the writing of the Constitution. Two-hundred years previous, fifty-five white, largely overweight men, sat in that room in Philadelphia. We know that because we know who was there. We know the stories about how they had to keep the shades drawn during that hot Philadelphia summer in that room, because it got very warm while they were trying to craft a Constitution. There were some of the most brilliant minds in the history of this country convening there. Absent, of course, was Thomas Jefferson, who was in Europe at the time. But he contributed nonetheless substantially to the Bill of Rights and especially to the writing of the first amendment's free speech clause.

As I said, there are some who seem to want to support virtually every proposed change to the Constitution, like human weather vanes spinning in the winds of the public passion of the moment. Others are opposed to changing the Constitution under any case, ever. The Founding Fathers who wrote the Constitution actually provided for a process to make changes to it. Still, they made it very difficult, and changes have been made only on very rare occasions. We are trying to decide today and tomorrow whether this should be one of those occasions.

I am not someone who believes that we should reject change in every circumstance. But I am, I suppose, a conservative, if you can forgive the use of the word in this Chamber, because it is confusing to try to understand these days who conservatives and liberals really are. I am conservative when it comes to changing the Constitution. I believe it ought to be done only on rare occasions and only in circumstances of extraordinary need. Harold Wilson once talked about the only human institution which rejects progress or change is the cemetery. Change is a part of our lives. Yes, indeed, even change in the Constitution may be part of our lives when it is necessary.

Each of us, as other speakers have indicated, takes an oath when we come to the Senate to serve, and that oath is to uphold the Constitution. I do not think anyone takes that oath lightly. All of us understand the circumstances and the meaning of that oath. All of us understand, as well, that it is not just public passion that should persuade this body or the House to decide to change the Constitution. Our system of Government, I think, has worked for over 200 years because people have had faith in this system.

When I sat there in that room, 200 years after the writing of the Constitution, 55 of us went back in to recreate the event on its 200th birthday. As I indicated, it was written by 55 white men. So 55 of us—men, women, and minorities—went back into that room, and in a very solemn ceremony, celebrated the 200th anniversary of the writing of this wonderful document. I grew up in a small town, went to a small school and studied George Washington, and here I was in this chamber where George Washington's chair was at the front of the room—the very chair he sat in while presiding over the Constitutional Convention; it was still in the front of this room. Franklin sat over there, and Madison, Mason. It was a wonderful experience to sit in that room. It kind of gave you goose bumps to understand the history that was created there—the crafting of a document called the Constitution, which has represented the framework of self-government in the most successful way in recorded human history. There is no record of a society that has practiced self-government as successfully as has this country.

So I think now about sitting in that room and I think about the people who must have sat there 200 years ago as they tried to understand what kind of a framework would work. What kind of fabric would reach over a couple of centuries and more—maybe a couple of more centuries—and allow for our system of government to work? And one must admit that even with 11,000 different proposals to change the Constitution, those who wrote it originally did a masterful job. It is an extraordinary document in the history of civilization.

As I have said, it works because in people's minds and hearts there represents an acceptance that self-government is something they agree with and believe in and think represents the best hope for this country to make progress. We are now, as all of us understand, facing a difficult set of circumstances in our country. We face, I think, a debt crisis of sorts. It is a debt crisis with respect to fiscal policy—that is, the Government spends more money than it takes in, and a debt crisis, additionally, in our trade policy. This year was the largest trade deficit in the history of this country, or any country, for that matter.

How did we come to that point and what causes all of this? It is interesting if you listen to some of the political dialog. And this is done deliberately, and I understand that. It is, gee, you know something, the Members of Congress come to take their seat in the U.S. Senate Chamber and the first thing they want to do is cast another vote to spend more money. But all of us understand what happens. The reason we spend more money this year than last year is that there is an automatic pilot on entitlements, and this year we will spend much, much more on health care than last year.

Why? For two reasons.

In Medicaid, more people are poorer and the health costs are going up. In Medicare, more people are reaching Medicare age, more people are triggering that eligibility, and health care costs are going up. Therefore, we spent a lot more on health care this year than we did last year because health care costs in many cases have been running double and triple the rate of inflation and there is never a vote on that, just to use health care as an example. That is on automatic pilot and it increases and increases and increases.

And so the point of it is, it is not a case where there are 100 people voting to say, ''Yes, let's increase that.'' It is an entitlement program that is now latched to inflation and whose costs move up every single year.

Revenue does not do the same. In fact, the income tax system and the personal exemption, for example, is indexed exactly the other way. As inflation increases, you then increase the personal exemption, so there is not an automatic increase in revenue. So you have an automatic increase in the cost of entitlements because of inflation because they are hooked to it and accelerate, and the revenue system is hooked just the opposite way so that it will not increase automatically. And we have created then this mismatch in policy and it just cannot exist; it cannot continue to exist.

I think all of us in this Chamber understand we have a circumstance in this country where we routinely have higher expenditures than we have revenue. And what happens to the difference? Well, we simply charge it. We issue more bonds and the children then are faced with more and more debt.

The deficit at this point is roughly $180 billion. But that is not the honest deficit. The honest deficit at this point would be the $180 billion, plus the $70 billion in Social Security surplus this year. That is used to reduce the $250 billion back to $180 billion. The real deficit is about $250 billion.

That is the way the accounting system works, unfortunately. It should not work that way. We need to try to address that.

We have a Social Security system that is now raising more money than it expends. The reason we have that is because Congress decided in 1983 that we were going to face a crisis in Social Security at some point and we had to start saving for it.

In 1983, I was serving on the House Ways and Means Committee. We had to write the Social Security reform bill. A lot of people do not understand the magnitude of that bill. It increased FICA taxes for both the employee and the employer. Certainly, all of them understand that. It even stretched out the retirement age from 65 to 67. I bet a lot of people do not know that is in the law. But it begins after the turn of the century. It is phased in very gradually.

But this Social Security reform package made a lot of changes. One intent of that package was to try to require a savings each year in order to meet the need when the baby boomers retired after the turn of the century, when the largest baby crop in American history hits retirement. Then we have serious financial problems with Social Security.

So the approach to reform that and respond to it was to say, ''Let us have each year a forced savings in the Social Security system.'' And this year, incidentally, it is about $69 billion. We will take in $69 billion more in the Social Security system in revenue than we will spend out. Therefore, the surplus this one year will be nearly $70 billion.

Why are we doing that? Again, to save it for after the turn of the century when we are going to need it.

Now, is it being saved? No; I mean, technically there is a bond that goes in the trust fund but, as all of us understand, the money is still used and it is customarily referred to as a pool of money that reduces what we call the Federal deficit. The Social Security revenues are used as an offset to reduce the operating budget deficit of the Federal Government.

And the fact is that we cannot continue to do that. That breaks the promise with the workers. It breaks the promise with the senior citizens. Either we are going to save the money or we are not going to save the money. But let us not have a charade in which we say we are going to tax you to raise more money than we need to spend at this point and we promise to save it, but we really will not because it will be used to offset spending.

Well, I think that there is general agreement by Members in this Chamber that we have a debt crisis, a real problem. And what do we do about it?

We just heard the speaker before the last, Senator GLENN from Ohio. He accurately portrayed 2 years ago, when we had a very significant budget debate and we were asked to vote on a budget bill that cut the deficit over 5 years by $500 billion, we had to find all the votes for it on this side of the aisle. Not even one vote—one would expect somebody would vote wrong accidentally from time to time; you know, just not quite understand it. You expect to get one vote from the other side just as a result of an accident. But we could not even get one vote.

So we had to figure out how we could come up with a plan that cut the budget deficit by $500 billion. Some of it was not very popular. But I was perfectly happy to do that because that is our job. We are required to do that. We ought to do a lot more of it. And we did it. So we passed this Budget Deficit Reduction Act and the deficit has gone down.

I mean, the deficit was around $270 billion. It has gone down about $90 billion or so. Actually, the real deficit is $250 billion. And, you know, if you take the Social Security out, it was over $300 billion. Now it is down to about $250 billion.

But the point is, the deficit reduction package reduced the Federal deficit, but people did not like it very well because the medicine is not medicine that tastes very good. It is bitter-tasting medicine.

So we have come here today with another set of challenges and that is, following on the heels of 2 years ago when we passed the Deficit Reduction Act, and understanding that we did not pass health care reform and understanding that health care costs keep going up, not just up a bit but way up in the long term, the question is how do you then respond to an even greater challenge in the outyears? Do you continue to have increasing Federal deficits now in the outyears, because we have not been able to control health care costs? Or do we find a way to do something about that?

Some say, ''Well, let's change the Constitution. Let's put in the Constitution a requirement that in 7 years, we balance the budget.''

I am willing to consider that. I have voted for a constitutional amendment in the past. I hope I will vote for one in the future, and I may vote for this one, depending on a couple of caveats. I am going to raise those questions today, as I have raised them earlier today with those who have been the principal authors of this legislation.

The question is not whether we do something. The question is how we do something about this debt crisis. Do we pass a constitutional amendment to balance the budget? If we do, what kind of amendment will we pass?

Will we, after we consider a constitutional amendment to balance the budget and vote on it, if we enact it, restore some thread of confidence with the American people?

No, we will not have done anything, not even one penny's worth of progress to responding to the debt issue, by passing the constitutional amendment. No one here would stand, in my judgment, and allege that doing anything to deal with the deficit is going to be a part of this constitutional amendment.

The fact is, the amendment is simply words that will be a part of the constitution. Now, that is important, very important. But, in and of itself, it does nothing to advance even one penny's worth towards reducing the deficit. That will have to be accomplished by a series of other steps, including taxing and spending decisions that the Congress will have to confront. It can confront them with or without a constitutional amendment.

The question is, what would provide the greatest likelihood to advance toward the solution to this debt problem?

And let me ask a couple of questions that I have asked rhetorically today of those who are the principal sponsors.

The first has to do with Social Security. I know that we are told that the Social Security System is a system that is important to everyone in this Chamber, and everyone believes that we ought to protect and preserve the system. We continue to hear that time and time again.

We also hear virtually everyone say that the design to collect more money now for the Social Security System and have an enforced surplus to be saved until after the turn of the century when we need it is a design that virtually everyone subscribes to and believes in.

So we had a vote on this constitutional amendment, on an amendment offered by Senator REID, that said, ''All right. Let's change this so that the definition of expenditures and receipts in the constitutional amendment to balance the budget does not include expenditures and receipts of the Social Security System.''

The reason? Because if you include expenditures and receipts of the Social Security System—a system which, incidentally, is going to run very large surpluses in the coming years that we are going to need to save—if you do that, what you do is you create a circumstance by design that says we will balance the budget by using the Social Security trust funds to do so.

Well, you know, you would have to keep faith with one or the other, but you cannot keep faith with both. Either we say to the senior citizens and the workers who contribute the money that goes into this trust fund that this is saved and we pledge that it is a dedicated tax put in a trust fund to be used only for one purpose, or we do not.

Then you say: Well, we are collecting this dedicated tax. Yes, it is regressive. Yes, we agreed to do it for Social Security, but we have changed our minds. It is now going to be part of the operating budget deficit and it will be used to lower the general operating budget deficit of the United States. One of the two will be the case.

The question the Senate has to answer is which one of those two? We are told, ''Well, we really cannot do much about that at this point. Maybe that could be accomplished in implementing legislation in which we describe what expenditures and receipts mean.''

If that is possible, and it may be possible that we describe what expenditures and receipts mean in the implementing legislation and they do not mean Social Security receipts and expenditures, then that will solve the problem, in my judgment. That can be done by passing that portion of the implementing legislation prior to the vote tomorrow on the constitutional amendment to balance the budget.

There is a way for that to be accomplished. If that is accomplished, that will resolve my concerns with respect to the use of the Social Security revenues because the Senate will have spoken on that issue. But the Senate has to make a decision: Is it going to allow in this amendment the use of the Social Security reserves or surpluses to balance the operating budget deficit, or is it going to use them to save for the future?

It is not going to be both. It will be one or the other. We have already had one occasion in which the implication was that we would use the Social Security surpluses or trust funds to balance the operating budget deficit. If that is the case, that is not satisfactory to me.

If, on the other hand, we are willing to say in implementing legislation,

prior to the vote tomorrow, that expenditures and receipts from the Social Security System are not included in the constitutional amendment as expenditures and receipts, as a matter of definition, then that resolves the problem, at least from my standpoint.

So the question whether that is resolved is not up to me. The question of whether that is resolved is a matter of intent with respect to those who offer the amendment and whether we can, through amendment tomorrow, by passing part of the implementing legislation, deal with that issue.

Let me mention the second issue that has been well discussed, and that is the issue of enforcement. Senator NUNN has raised, and I think appropriately so, the question of how will the constitutional amendment be enforced? Are we creating a constitutional amendment on fiscal policy and asking the courts to be involved in taxing and spending decisions, if, in fact, the Congress does not respond appropriately to what the Constitution requires?

If the answer to that is, yes, we will have the courts enforce the constitutional provision on the balanced budget, then I think there is serious concern by a number of other Senators. This can be resolved easily, and it can be resolved quickly. It can be resolved by precisely the addition of the amendment that was accepted last year ago when we debated this.

Senator Danforth offered and the Senate accepted the provision on enforcement that deals with the declaratory judgment capability. That is exactly the way to solve this. Senator NUNN has raised the issue. Others have. I say from my standpoint, we really ought to respond to this issue in a forthright way. I think it can be responded to in a forthright way. If that is the case, if that is dealt with, then, once again, I raise no objections about that issue.

I would like very much to see Congress advance a solution to this debt crisis. That solution may very well be a constitutional amendment to balance the budget. But I would not be comfortable supporting a constitutional amendment to balance the budget if riding on that vote was $3/4 trillion of Social Security revenue used in the future to offset operating budget expenditures in order to show a lower deficit for the Federal Government but which, at the same time, would mean we would not have saved in the Social Security system that which we promised to save.

It seems to me that the fate of this constitutional amendment to balance the budget will be determined tomorrow by a judgment made by those who offer the amendment on how they resolve, at least from my standpoint, those two questions. What is the will of the Senate with respect to the use of $3/4 trillion of Social Security funds? Are those trust funds going to be used to balance the operating budget deficit, or are they going to be saved?

We are told it is hard to sift through all of this. It is hard because of procedural circumstances. We are told that it is difficult to do these things. Look, when we are passing a change in the U.S. Constitution, this Senate should work its will to make sure that that change is exactly the kind of change we want and the country needs.

The last thing I want to do is make a mistake in amending the U.S. Constitution, because that is a mistake that cannot easily be corrected. This is not, in my judgment, bumper sticker politics or sloganeering. It is deadly serious business when we are talking about changing the basic Constitution of this country.

I have said before and I will say again, I think the debt crisis in this country is sufficiently serious to warrant this serious discussion about changing the Constitution, and I would be a part of those who are willing to change the Constitution if the two issues I have mentioned are resolved. If they are not resolved, I will not be a part of that change. The decision is not a decision I will make. The decision is a decision that will be made by those who are crafting this and whether they will allow the will of the Senate to be expressed on this issue of the use of $3 to $4 trillion of Social Security funds and on the issue of enforcement.

Some say, ''Well, you voted for the balanced budget amendment previously.'' Yes, I have. It was different in the sense that it contained the enforcement provision provided by Senator Danforth. This does not. If they do that, it will make me more comfortable.

And one other thing has changed that is fundamental. We now have something called a Contract With America which proposes at the same time that we face a serious debt crisis in our country, a massive tax cut, ingeniously, in the mind of some, concocted so that a smaller part of it occurs in the first 5 years of budget scoring and a much larger portion occurs in the second 5 years, a tax-cut proposal that will reduce revenues in 10 years by some $3 to $4 trillion, it is estimated.

I think it is very difficult to have a serious discussion about a tax cut at a time when we are also having a serious discussion about changing the Constitution because this country has a debt crisis. In my own view, the job of the U.S. Senate is to find a way to cut spending. And, yes, we ought to be tough and cut spending and cut spending, and use the money to cut the deficit.

Now, there is a judicious way to cut spending and another way to cut spending. You do not have to do it with a meat ax, and you can do it with some judgment and some discipline. I confess that I am confused by those who are the loudest voices for changing the Constitution so that we would require a balanced budget, and who on the other side of their coverall pockets are saying, ''We also want a $3 to $4 trillion tax cut. And we want more defense spending, and we also, by the way, want to resurrect Star Wars at the same time.''

I have no idea where these arithmetic books come from, but they did not use them in my home school. I hope, as we work through all of this agenda, that we will come to a more focused agenda; that is, a determination by all Members, to head towards the same common goal: Relieve this country of a debt crisis that is getting worse, see if we can move towards a balanced budget, and try to do the right thing for this country's future.

I am willing to take risks. And I think we should be willing to take risks these days to try to respond to this problem; if not for us, then certainly for our children. But I am not willing to cast a vote for a constitutional amendment unless it is the right constitutional amendment, and I am hoping that, in the coming day or so, a couple of the problems that we have had discussed at length discussions can be addressed. If that is the case, I will vote for the constitutional amendment. If it is not the case, then those who have written this proposal will end up short of votes to pass this proposal.

Mr. President, I will be on the floor again tomorrow, and I assume we will have additional discussions. I say again that the decision of whether this constitutional amendment to balance the budget is enacted by the Senate is a decision that will be made by those who advance it, and whether or not they will allow the Senate to work its will on these two questions, from my standpoint, the use of the Social Security reserves and trust funds and, also, the question of enforcement.

Mr. President, I yield the floor.

Mr. GORTON addressed the Chair.

The PRESIDING OFFICER. The Senator from Washington.

Mr. GORTON. Mr. President, I have listened with great interest to the remarks of the distinguished Senator from North Dakota who, it seems to me, has made three points or sets of reservations about the balanced budget amendment rather than two.

One is the failure to exempt Social Security from all calculations under the amendment; the second is the absence of any provision in the amendment that will prevent the courts of the United States from arrogating to themselves the right to write balanced budgets; and third is the impact on attempting to balance the budgets of various proposals in the House of Representatives for reductions in taxes.

I say with all the sincerity at my command with respect to those concerns of the Senator that two of the three, it seems to me, rather argue in favor of supporting this constitutional amendment than they do against it. The third is, as I believe the Senator from North Dakota knows, a concern which I share and share deeply.

Let me take the first two points first. The first question that arises

with respect to Social Security is, is the Social Security System protected in some way by a defeat of this constitutional amendment in a way that it is not by its passage? Well, Mr. President, the answer to that question is clearly no. In fact, I am convinced that the Social Security System of this country will be stronger and more secure with the passage of this constitutional amendment in its present form than it will be either without a constitutional amendment at all or, alternatively, with a specific exemption in the constitutional amendment itself.

It is clear that the Senator from North Dakota, who is genuinely agonized by the choice in front of him, does wish that we balance our budget, does feel that the present system has failed to do so. And yet with each year that passes under the present system, the pressure on Social Security and, for that matter, on all other vital forms of spending in the United States, increases by reason of the failure of this and other administrations and the Congress to deal with problems of the deficit.

No one can feel that early in the next century when this country, if we make no changes in the way in which we operate, will literally have no money left for anything other than a handful of entitlements, no person can feel that under those circumstances Social Security will not be changed. It will, and it will be changed to the detriment of the recipients of Social Security retirement income.

Bringing our fiscal house in order, therefore, protects rather than threatens the Social Security System. And if, as I believe and the Senator from North Dakota believes, that we are not going to bring our house in order unless we establish some kind of external discipline, why then, Mr. President, the passage of this amendment in its present form is a protection for Social Security rather than a threat to it.

An addition to this amendment of a specific exemption for Social Security, I think, perhaps threatens the system even more because it will provide, by such a huge exception to the requirement for a balanced budget, an overwhelming temptation directed at future Congresses to redefine what is in Social Security, to include in the system all kinds of benefits which will go to the same classes of people who benefit from Social Security today that are not now defined as Social Security or, alternatively, in order to balance the budget, a reduction in the Social Security payroll tax and, therefore, in present surpluses in that system and a transfer of that taxing authority to the general fund in order to balance the budget.

So an exemption of Social Security written into the Constitution will not protect the system. A rejection of the constitutional amendment will not protect the system. The system will, I am convinced, be protected best by treating the budget deficit for what it is: A terrible threat to the country, a threat which Congress and Presidents have been unable or unwilling to meet in the past, and dealing with it through a constitutional amendment which requires all parties, everyone in the country, but most particularly future Presidents and future Members of Congress to be a part of the solution rather than a part of the problem.

The difficulty, of course, is that Social Security receipts and disbursements are receipts and disbursements of the United States. The payroll tax is a tax. Disbursements are disbursements. Markets, the economy of the United States, are not fooled by saying that money goes into and comes out of one pocket rather than another. If we are to balance the budget, we must balance it with all receipts and all expenditures, and those who are recipients of Social Security will be best off if we recognize that fact because if we fail to do so, they will be threatened along with everyone else.

On a second subject, Mr. President, I had not previously heard that one of the arguments against this constitutional amendment is a set of proposals in the House of Representatives with respect to tax cuts. The President of the United States himself in his budget submission has proposed tax reductions somewhat more modest than those in the so-called Contract With America, probably less effective in rebuilding our economy and opportunity for economic growth in the United States.

But again, with respect to a more liberal Member on the other side of the aisle who opposes the tax reductions contained in the Contract With America, it would seem to me that the existence of those promises would be rather an argument in favor of this constitutional amendment than an argument against it, since it is obvious that a requirement that the budget be balanced by the year 2002, as a matter of constitutional law, will require all Members of Congress—those who favor tax reductions and those who do not—to look much more carefully at the budget implications of each and every action, whether that action refers to spending or to taxing policies.

The third point made by the Senator from North Dakota, on the other hand, is one with which this Senator agrees. This Senator was one of several on this side of the aisle who voted in favor of an amendment proposed by the distinguished senior Senator from Louisiana a week or so ago to make clear that the responsibility for budget decisions, after the passage of this amendment, rests exactly where it does now: With the President and with the Congress of the United States, subject to the heavy discipline this amendment requires.

I do not wish courts substituting their judgment for the judgment of those who are elected by the people of the United States to make these vital and important decisions for the people of the country by any stretch of the imagination. And I hope—I think it is perhaps possible—that that kind of change may be made in this constitutional amendment. I am delighted with the thoughtful attitude toward it by the Senator from North Dakota.

That is a proposal which, in my mind, would strengthen this constitutional amendment. The other proposal would weaken it and would weaken the Social Security System at the same time.

Now, having listened to the last hour or so of debate on this floor, I am reminded of the set of categories with which I was impressed on the very first day of the debate on this constitutional amendment; and that is that Members of this body are divided into three groups with respect to the budget of the United States.

There is clearly a group of liberal Members, that does not include the Senator from North Dakota, that simply does not believe in a balanced budget at all, who like the status quo, who favor the present system, who believe that deficits are not harmful to economic growth or to the prosperity of the people of the United States of America.

Those Members are and should be opposed to a constitutional amendment which makes an unbalanced budget a much more difficult task to undertake than it is at the present time.

There is, in addition, Mr. President, a second group, a group represented at least in the original instance by the remarks of the distinguished senior Senator from Ohio about 1 hour ago, who tell us that they believe deeply and passionately in a balanced budget but that we ought to do it ourselves; that we should not engage in a change in the Constitution; that it is simply a matter of discipline.

Then there is the third and largest group—whether it includes 67 Members or not will be determined about 24 hours from right now—a third and larger group which believes that the present system is broken, that a balanced budget is desirable—in fact it is imperative if we are to do our duty to generations yet to come—which in many cases has tried varying formulae for bringing the budget into balance without a change in the fundamental system itself and observe simply as a result of our history that it has not worked; that the system is broken; that we need a radical change, a new direction; and that that new direction is represented by the amendment to the Constitution which is before us right now.

The difficulty with opposition to this amendment, in my view, Mr. President, is just this. The first and second categories tend to have a fuzzy distinction between them, tend to meld into one another. The distinguished Senator from Ohio began his speech by demanding a discipline on the part of Members of the Congress: do the job ourselves, do what we were sent here to do, do not ask for constitutional changes in order

to do it. Then he launched into a criticism of all of the possible ways of reducing spending so that the budget might be balanced. He seemed to move, in other words, from category 2 into category 1. We should discipline ourselves; we should balance the budget on our own hook; but it would be a terrible threat to deal with any of the really expensive spending programs which in total result in our having a budget that is unbalanced.

It is in that second category, it seems to me now, that the President of the United States falls. We have heard a great deal about the fiscal discipline and the political courage that was involved in passing the budget here just 2 years ago which significantly increased taxes without significantly reducing spending and resulted in, or was coincident with at the time of rising economic growth, a relatively modest decline in the budget deficit.

However, that budget year is over, and we now have a proposal from the President that never, even under very rosy economic growth projections, results in a budget deficit of significantly less than $200 billion a year as far as the eye can see—5 years, 10 years, beyond that period of time—which suggests some modest tax reductions and even more modest spending reductions. It overwhelmingly lacks courage, a status quo budget, and it is perhaps the best single illustration of why we must pass this constitutional amendment.

When a President, who made deficit reduction the heart of his message during his first year as President, abandons that goal totally, lock, stock, and barrel, by the third year of his Presidency, it is clear we need to change the system under which we operate.

Of course, it is exactly that change which is proposed in this constitutional amendment. The dynamics of its passage and its ratification by the people of the United States will clearly be dramatic. If this proposal were a part of the Constitution of the United States today, the President of the United States could not validly have submitted the budget to us which he has before us right now. He would be required by his oath of office, by the Constitution of the United States itself, to be a part of the solution rather than part of the problem. Political cowardice would instead be political folly, an abandonment of a constitutional duty.

Many of us here might not like the proposals of this President with respect to balancing the budget, but he would have been required to propose such a course of action. And for those of us who dislike it, we would have been required to come up with an alternative.

Now, anyone can speak of the desirability of balancing the budget in the abstract and the lack of desirability of cutting any spending programs in reality, and there is no penalty for taking such a course of action. As and when this proposal becomes a part of the Constitution of the United States, there will be a huge penalty for such a course of action. Presidents and Members of Congress will be required to come up with budgets that either reduce spending or increase taxes or both. And if at some time there is a return to the majority of those who believe in higher taxes—a group clearly not in the majority today—they will be able to do so. There is nothing in this constitutional amendment that prevents balancing the budget on the backs of taxpayers of the United States. There is a clear majority in this body right now who will not do so. But if an election campaign is run successfully on the proposition that we need higher taxes, a Congress which wins on that platform will be able to do so. By the same token, those who believe that spending needs to be cut will be under the gun; they will be required to produce; and the President will be required to come up with some kind of proposal or another, better and more responsible than the proposal that we received from this President this year.

The dynamics of this constitutional amendment, Mr. President, are simply this: Everyone in elected office will have to be a part of the solution. Everyone will have to be a part of the game rather than allowing the challenge simply to be kicked down the road, left to the next administration, to the next Congress, to the next group of people who come here.

How much better off we would be had a proposal such as this been passed some years ago, but if we have learned anything in the course of the last decade or decade and a half, it is that the most sincere statutory solutions, like Gramm-Rudman, do not work because they get abandoned as soon as the shoe begins to pinch.

There is, in my view, no solution to the fiscal problems facing this country—no solution that will free our economy, no solution that will create more and more opportunities for the present generations and generations yet to come except to make the kind of changes proposed in this constitutional amendment.

It is clear that tomorrow's vote is going to be absolutely vital for the future of this country. It is clear that a majority of the people of the country want this constitutional amendment. It is clear that a majority of the Members of this body want that constitutional amendment.

What remains unclear is whether the necessary two-thirds in this body will follow logic, reason, and the will of their constituents and refer this constitutional amendment to the States of the United States for ratification.

The PRESIDING OFFICER. The Senator from Texas.

Mrs. HUTCHISON. Mr. President, I appreciate what the Senator from Washington has just been saying. I have been on the floor listening to him. He is one of the people I admire most in this body. He has been the attorney general of his State. He knows the legalities and the importance of doing this as a constitutional amendment. I am very pleased he is one of the leaders in this effort.

I would just like to say it is the most important vote that I will cast in my public life. That is how important the vote tomorrow is, in my opinion, for our future generations of this country. So I do think we need to focus on the basic issues.

The first one is why? Why do we need this to be a constitutional amendment? The national debt is a cancer on this country and we are passing it to our children and grandchildren. It is now over $4 trillion; $17,600 for every man, woman, and child in this country. For a family of four this is over $70,000 in debt. If a family of four has a $70,000 debt, that is a big responsibility. That is a burden on the shoulders of that family. You have to pay it out over time and it is not easy. In fact, every family of four in this country has the $70,000 debt that we will only be able to erase if we pass this amendment tomorrow. It is soaking up capital that we need for investment in our businesses, and it is 26 percent of our budget that we are paying in interest.

That money could be going into investment capital for investment in equipment that would create jobs, that would help our economy and would help the people of our country get back to work. But instead, that money is just going to pay interest on the national debt.

It has been getting worse just in the last few years. Since 1975, 20 years ago, our per capita debt has increased more than sevenfold. So it is something that is getting worse, not better. In fact, the per capita debt has increased $900 just since we started debating this amendment earlier this month. It is $900. You have seen the charts. It just keeps going up as we talk. We must take drastic action. This is for the Constitution.

Let us take some of their arguments. Their arguments are: Do it by statute. We can do it if we have the resolve to do it. But in fact we have tried for the last 30 years to do what was right and Congress found it was always easier to spend than it was to cut. They found it was even easier to tax than to curb that voracious appetite for spending. I think we have to take the very important step of getting this country back on track. We have tried to do it by statute. We tried Gramm-Rudman. We tried the 1990 budget agreement. But every time something comes up and Congress wimps out and we do not start balancing the budget. We must have a constitutional mandate if it is really going to work. We have tried everything else. If we are going to do what is right we must do it by amendment.

Some of the opponents say: Tell us where you are going to cut. We will probably vote with you if we know where you are going to cut. It would be

a year from now before we could get through all of these arguments and then go to the argument of how we are going to make these cuts on sort of a try it basis, not for real.

No, every business and every household in America cuts their budget the same way. They determine what is the priority, what is the revenue, and then they say: OK, here is what we have to spend. They do not say here is what I would like to spend and I will just take care of it later. They do what every State does, they find out what the revenue is and then they prioritize their needs. I do not know why the Federal Government does not get it. I do not know why the U.S. Congress cannot figure out that we, too, can do what every State, every business and every household in America does and that is determine what the revenue is and then decide what the spending priorities are. That is the responsible way to approach the budget.

There have been legitimate arguments on the issue of exempting Social Security. I think a lot of people have thought why do you not set Social Security aside? Of course we believe Social Security is inviolate. But we are talking about amending our Constitution. We have seen what Congress has already done to Social Security without one vote by any Republican in the Congress, on the House side or the Senate side. Taxes were increased on Social Security.

I do not think we can assume Congress is going to do the responsible thing. Let us see what would happen if we exempted Social Security. All of a sudden more things would be moved into Social Security. We would have Social Security take up welfare; perhaps Medicaid. Everything that Congress wanted to stuff outside of the quota that will be established with a balanced budget amendment would just be locked into Social Security and there is nothing to prevent it.

If you are going to exempt anything you cannot have a balanced budget amendment. It will not be effective if anything is exempted out because whatever it is will then get everything that Congress wants to put in that will not count against the restraints that we will put on ourselves through a balanced budget amendment to our Constitution.

I am going to support Social Security and the veracity of our Social Security system as long as I am in public life. But if we take that outside of this constitutional amendment we will not protect Social Security. It will be the opposite. We will make Social Security more precarious than it is now because we will not have the ability to say: This is the budget. Here is the revenue. And we are going to live within our means like every family and every business and every State in this country strives to do.

Senator PAUL SIMON, the Senator from Illinois, has been one of the prime movers in the balanced budget amendment. I admire and respect him greatly. Last year, when he cosponsored this amendment, he got all wound up and he said the reason that there were so many heroes at the Alamo is because there was no back door.

I love Senator SIMON but I had to come down on the floor and say to my distinguished colleague that his facts were wrong but his point was right. The fact is, there was a back door at the Alamo. It was a line drawn in the sand and every man at the Alamo was given the choice of crossing the line to fight for the independence of Texas, or to leave at that time. And every man at the Alamo voluntarily walked across that line, and Jim Bowie was carried in his stretcher across that line, to say we are going to commit ourselves to fight for the independence of Texas and we are going to voluntarily close that door. So they were heroes. They were real American heroes.

But Senator SIMON was making a point, and the point was right. That is the same thing that we can do right here tomorrow; that is, close the back door, become a hero. The vote tomorrow is what is right for the long-term future of this country. That is what will close the door, and we will do it in a responsible manner because it is the right thing to do for our children to stop this $18,000 debt that they have over their heads right now. Yes. This is the most important vote that we will ever cast.

Thomas Jefferson, one of our Founding Fathers, must have feared that, in all of the thinking about what might come in the future, perhaps there would be a tendency to spend more money because he probably sensed that it is human nature to want to spend the money to do the good things that all of us would like to do. Two hundred years ago, Thomas Jefferson said:

> The question whether one generation has the right to bind another by the deficit it imposes is a question of such consequence as to place it among the fundamental principles of government. We should consider ourselves unauthorized to saddle posterity with our debts and morally bound to pay them ourselves.

Thomas Jefferson went on to say:

> There does not exist an engine so corruptive of the government and so demoralizing of the nation as a public debt. It will bring us more ruin at home than all of the enemies from abroad.

He realized that this is not something that should be done just by statute. If it is really going to have teeth, he questioned whether it should not go into the framework of our Government, the policy statements that will last through the generations. And I think his instincts were right, and they have been proven so as our country has gone headlong into over a $4 trillion debt. While Thomas Jefferson was very farsighted, I do not think even he could have foreseen a $4 trillion debt. But he knew that there was the possibility that weak Congresses would spend now and pay later.

We have the ability to do what I think Thomas Jefferson thought we should have done in the first place; that is, put in our framework of Government, if we think something is so important, that we will put it on our priority list and we will pay for it now, and if it is not that important, it does not meet the test of responsible governing.

So I hope that we will take this monumental opportunity that we have tomorrow. It is probably the best chance we are going to have in my lifetime to do what is right to get this country back on track and to pass a balanced budget amendment to our Constitution so that our State legislatures, while they are meeting now, will have the opportunity to ratify or not ratify, but will have the opportunity to vote on this very important framework of Government issue. And I hope we do the right thing.

Thank you, Mr. President.

Mr. LEVIN addressed the Chair.

The PRESIDING OFFICER (Mr. BOND). The Senator from Michigan.

Mr. LEVIN. Mr. President, there are three amendments that I have offered which I want to describe tonight to the body.

First, I am offering two amendments regarding the vote of the Vice President of the United States in the two situations in which the balanced budget amendment calls for a constitutional majority. Section 4 states:

> No bill to increase revenues shall become law unless approved by a majority of the whole number of each House by a rollcall vote.

Section 5 states:

> Provisions of this article may be waived for any fiscal year in which the United States is engaged in military conflict which causes an imminent and serious military threat to national security and is so declared by a joint resolution adopted by a majority of the whole number of each House which becomes law.

So the question has arisen in debate as to whether or not the language in these provisions ''the whole number of each House'' would deny the Vice President of the United States a vote to break a 50-to-50 tie. While it is clear that 51 votes would be necessary under this provision, it is unclear whether the Vice President would be denied a vote in an equal division of 50 to 50. Why should he or she be so denied? The Vice President is not denied a vote in a 50-to-50 tie situation anywhere else in the Constitution. The proponents of the balanced budget amendment in the House and the Senate have not agreed about the effect of this language. In the House of Representatives, the chief sponsor of this constitutional amendment, Representative SCHAEFER of Colorado, stated in the CONGRESSIONAL RECORD on January 26:

> This language is not intended to preclude the Vice President in his or her constitutional capacity as President of the Senate from casting a tie-breaking vote that would produce a 51–50 result.

Representative SCHAEFER goes on to say:

Nothing in section 4 of the substitute takes away the Vice President's right to vote under such circumstances.

However, the principal Senate sponsor, the Senator from Utah, stated on the floor of the Senate on February 16 that the Vice President would be denied the deciding vote in a 50–50 situation. He went on to cite the example of the President's 1993 deficit reduction package, which was passed by a 51 to 50 vote with the Vice President casting the deciding vote, as legislation which would not have passed had this constitutional amendment then been in effect.

Mr. President, the two amendments which I have offered are very straightforward. One makes it clear that the Vice President has a vote. If that fails, the other would say that he does not.

Think for a moment about a future situation like the Persian Gulf war. A future President required to make a decision about the deployment of thousands of American troops, in a situation in which he might not know if they would be attacked or required to enter into hostilities, might well not be able to assess whether the outlays required to support those troops would exceed the balanced budget because he does not know if hostilities will occur. But he would be reluctant, properly, to deploy those troops without the certain knowledge that they would be unequivocally given the necessary resources to support them in the field, if attacked or if needed. Approval of such authority might be a close question as it was in the case of the gulf war.

What if we faced a 50-to-50 vote to waive under section 5? With the language unclear, is it not likely that the Vice President would be in the chair, and that he or she would vote? Would there then be a point of order raised that his vote was unconstitutional under section 5? What if the Senate voted 50 to 50 on the constitutional point of order? The Vice President might then break that tie. Might not the law providing the waiver then be subject to a lawsuit arguing that it was unconstitutional because the Vice President had voted? Should we invite this sort of constitutional crisis by leaving ambiguity in the amendment? I say no.

I would prefer that we approve the first of these amendments, thus preserving a vote for the Vice President. I urge my colleagues to vote against tabling amendment No. 310. However, Mr. President, I hope that those who believe that the Vice President should have no vote in such circumstances would support amendment No. 311.

Logically, every Senator, in my view, should support one amendment or the other. A vote to table both is a vote to leave this proposed constitutional amendment ambiguous on a matter of considerable importance. I will reiterate one critical point. The chief sponsors in the House have specifically indicated in a formal answer on the record that it is not intended to deny the Vice President a vote in these circumstances. The chief sponsors in the Senate have denied that it is intended to deny the Vice President a vote in these circumstances. This is not a record which should be allowed to remain in this condition. The stakes are simply too huge and we should clarify this one way or the other.

Mr. President, the constitutional amendment we would be voting on tomorrow does not balance the budget. By its own terms, some future Congress would still need to adopt enforcement and implementation legislation to achieve a balanced budget. The argument has been made that we have tried everything. We have tried legislation; we have tried statutes; we have tried passing laws. Why not a constitutional amendment?

The argument goes: ''We can't depend on legislation, so let's try a constitutional amendment.''

So what does the constitutional amendment do? It depends on the same kind of legislation. The exact same kind of legislation needs to be enacted under the terms of this constitutional amendment which the sponsors of the amendment say has previously been ineffective.

The constitutional amendment may sound fiscally conservative, but it will delay the day of reckoning for up to 7 years and it will still depend upon congressional action for there to be a reckoning even then.

I have offered an amendment to the constitutional amendment. My amendment would require this Congress to pass the needed enforcement legislation and not pass the buck to a future Congress to pass the enforcement legislation, which is so critical if this constitutional amendment be effective.

My amendment provides that the constitutional amendment, if we adopt it tomorrow, would be submitted to the States for ratification only after we have enacted legislation specifying the means for implementing and enforcing its call for a balanced budget.

Now, there are two advantages to this approach. First, it places the responsibility on us instead of leaving it to the future. Second, the States would be informed how the enforcement mechanism would work so they could consider that in their ratification deliberations.

First, Mr. President, there is no doubt that for this amendment to be effective, a Congress must pass enforcement or implementing legislation. Section 6 reads that:

The Congress shall enforce and implement this article by appropriate legislation.

This is different from most other amendments to the Constitution and most other provisions in the Constitution.

For instance, the 14th amendment says that ''Congress shall have the power to enforce,'' but it is not dependent upon the Congress adopting legislation. The 15th amendment says that ''Congress shall have the power to enforce.'' Again, a court decision has decided it is not dependent upon Congress adopting enforcement language. The 19th amendment, ''Congress shall have the power to enforce''; the 23rd amendment, ''Congress shall have the power to enforce''; the 24th amendment, ''Congress shall have the power to enforce''; the 26th amendment, ''Congress shall have the power to enforce''; the 18th amendment, ''Congress and the several States shall have concurrent power to enforce.''

The 13th amendment, the amendment which abolished slavery, provides that ''Congress shall have the power to enforce.'' But the 13th amendment, like the others I have described, is not dependent on legislation. It is enforceable without legislation.

It would be unthinkable, I believe, for any of us to believe that the 13th amendment, or an amendment like it, would pass which said something like the following: Slavery will be abolished in this country when Congress enacts legislation to abolish it.

The 13th amendment and the other amendments which I have described are self-enforcing. They do not depend upon legislation for them to be enforced.

Mr. President, the importance of the need for Congress to adopt implementing legislation has been discussed and described by many, many people. The most recent Director of the Congressional Budget Office, Mr. Reischauer, said the following about this issue. He said, ''First of all,'' and here I think he is in agreement with most, if not all, of us, ''a large reduction in Government borrowing is highly desirable.'' But then he said that ''A balanced budget amendment, on its own, does not advance the chances for lowering Federal borrowing.''

''A balanced budget amendment, on its own, does not advance the chances for lowering Federal borrowing.'' He put it another way in his testimony. That ''A balanced budget amendment, in and of itself, is not a solution, rather it is only a repetition in an even louder voice of an intention that has been stated over and over again during the course of the last 50 years.'' He went on to say that ''A balanced budget amendment, in and of itself, will neither produce a plan nor allocate responsibility for producing.'' In perhaps his most pointed comment, he said that ''Without credible legislation for the transition that embodies an effective mechanism for enforcement''—an effective mechanism for enforcement—''Government borrowing is not going to be cut.'' And he concluded that thought by saying, ''But the transitional legislation and the enforcement mechanism are 95 percent of the battle. If we could get agreement on those,'' he said, ''we would not need a constitutional amendment.''

Yet, this constitutional amendment depends on there being an agreement

on an enforcement mechanism by a future Congress.

Supporters and sponsors of this legislation have said in the past, over the years that this constitutional amendment was being considered, that enforcement legislation is critical to its success.

Senator DOMENICI, back in 1982, said that ''Congress is going to have to pass some very difficult enabling legislation to carry out the purposes of this amendment.''

Senator THURMOND, in August of 1992, said: ''The amendment would not be self-enforcing. There would be a clear responsibility upon Congress to develop procedures to ensure that it is capable of satisfying its new constitutional responsibilities under the proposed amendment.'' Again, he said back in 1982, ''There is no serious question that Congress will have to develop effective implementing legislation.''

Senator HATCH, the prime sponsor of this legislation, in March of 1986, said the following:

> There is no question that Congress would have to pass implementing legislation to make it effective. In that sense, it is not self-executing. It would be the obligation of Congress, after the amendment is passed by both Houses and ratified by three-quarters of the States, to, of course, enact legislation that would cause a balanced budget to come about.

The committee report for this legislation says the following:

> Congress has a positive obligation to fashion legislation to enforce this article. An amendment dealing with subject matter as complicated as the Federal budget process must be supplemented with implementing legislation.

In a colloquy that I had with Senator SIMON the last time that this amendment was before this body, we had the following questions and answers:

> Mr. LEVIN. . . . How would the monitoring of the flow and receipts of outlays be done to determine whether the budget for any fiscal year is on the track of being balanced? Would this require implementing legislation?
>
> Mr. SIMON. There would have to be monitoring, and future legislation would have to take care of the implementation of that monitoring.
>
> Mr. LEVIN. What exactly is the definition of receipts and outlays? Specifically, would the receipts and outlays to the Bonneville Power Administration be receipts and outlays of the United States pursuant to this constitutional amendment? Would the answer to these questions require implementing legislation?
>
> Mr. SIMON. Implementing legislation will be needed on some of these peripheral questions. . .
>
> Mr. LEVIN. . . . In an instance in which the Office of Management and Budget and the Congressional Budget Office disagree with each other on what a level of outlays is, how will the dispute be resolved so that it can be determined whether or not outlays exceed receipts?
>
> Mr. SIMON. Future legislation will have to take care of this.
>
> Mr. LEVIN. Who will determine the level of receipts and whether a revenue bill is ''a bill to increase revenues''? . . .
>
> Mr. SIMON. That will also have to be determined through future legislation.
>
> Mr. LEVIN. At what point will it be determined that outlays will in fact exceed revenues and that action such as a tax increase, spending cuts, or tapping into a rainy day fund will be required? . . .
>
> Mr. SIMON. . . . future legislation will work out the details.

The importance of enforcement legislation is recognized inside the constitutional amendment itself. In section 6—and the report of the committee makes it clear that within section 6 it says that the Congress shall enforce and implement this article by appropriate legislation—the words of section 6, in the words of the committee report:

> This section recognizes that an amendment must be supplemented with implementing legislation.

Again, Senator HATCH, the distinguished chief sponsor of this legislation, said as recently as January 30 that:

> Moreover, under section 6 of the amendment, Congress must, and I emphasize must, mandate exactly what type of enforcement mechanism it wants, whether it be sequestration, rescission, or the establishment of a contingency fund.

Mr. President, there have been a number of critical questions raised during this debate that have also been left to enforcement legislation. There is the question of impoundment. Will the President have the right to impound under this constitutional provision? The answer is, that will be determined by implementing legislation.

Then the question is, what is the role of the courts? An absolutely essential question for many Members of this body, indeed a question so essential that some votes may be dependent upon making certain that the courts will not be able to raise taxes or to veto appropriations.

And, by the way, the chief sponsor in the House said specifically in a question and answer colloquy that a court could have the right to veto an appropriation or a revenue.

These are absolutely essential questions to not be left ambiguous. The answer is future enforcement legislation will determine whether or not the court will have any such authority.

Well, it is not good enough to leave the critical issues and the teeth to future enforcement legislation when this Congress can and should adopt that legislation prior to this amendment going to the States, assuming, again, that it passes the Senate tomorrow. There is no reason why we should not accept the responsibility of deciding what is in that enforcement legislation, what the teeth will be, what the sequestration mechanism will be, and not just simply kick the enforcement can down the road.

If we do that, it means there is no hook. We are off the hook for 7 years, at least, because 2002 is the first year it is enforced. And we may find there is no hook then.

Mr. President, it has been said if this constitutional amendment is adopted, that we will adopt some future implementation legislation; because we have all taken an oath to uphold the Constitution, that that will increase pressure on Members to adopt enforcement legislation.

First of all, our oath to the Constitution does not require, does not assure, we will be able to agree on any particular mechanism or set of procedures to carry out the constitutional amendment if it is adopted. The oath we take is not a group oath, it is an individual oath. As individuals, we would be duty bound to carry out the intent of the Constitution, of course, duty bound to support an endorsement mechanism, presumably. But that is far different from language being self-enforcing, because there is no assurance that a majority of the Congress would agree on the same mechanism, even though every Member might carry out his constitutional duty and vote for one enforcement mechanism or another.

To the extent that the Constitution adds some pressure to reach a majority decision on an enforcement mechanism, that pressure would be significantly enhanced and made much more real if the Senate adopts my amendment tomorrow.

Under my approach, the pending constitutional amendment—assuming, of course, that two-thirds of the Congress votes for it—would be sent to the States for ratification only after the enforcement legislation is passed. And to the extent that there is a hammer on Members in the language of the pending amendment to adopt enforcement language down the road, there is a hammer on Members to adopt the enforcement legislation if the pending constitutional amendment is not sent to the States for ratification until after we adopt that enforcement mechanism legislation.

Now, without my amendment, if we adopt a constitutional provision tomorrow, it is but an empty promise. It would allow the Congress to put off adopting the credit implementation legislation, and therefore allow the argument to be made that the deficit was cured, although, in fact, the strong medicine has not even been taken.

There are two advantages, again, to adopting this amendment. First, it places the responsibility on this Congress instead of leaving it to a future Congress. We should not kick that enforcement can down the road to some uncertain time and some uncertain fate. Enacting a clear mechanism for enforcing the constitutional amendment before the amendment goes to the States is a way of assuring that we meet our responsibility instead of abdicating it.

Second, the States would be informed how that mechanism would work so that they could consider that in their ratification deliberations. This would not be a long delay. We were given assurances by the Senator from Utah the other night relative to part of the enforcement legislation as it relates to

the courts, assurances that were given to the Senator from Georgia, that that could be worked out during a summit by the end of the summer. I believe he said this need not be a long delay. This is just a matter of months to be sure that we do not just say, in a constitutional amendment, some future Congress should adopt enforcement legislation to achieve a balanced budget.

My amendment, if adopted, would make sure that if we adopt a constitutional amendment, that before we send it to the States for ratification, that we adopt an enforcement mechanism to achieve a balanced budget. That will make it much more likely. I am very concerned that enforcement mechanism would be adopted and that it would then be subject to the scrutiny of the States in determining whether or not they should ratify this amendment.

Mr. President, I thank the Chair. I yield the floor.

Mr. HATCH. Mr. President, I will not be long. I understand that the Senator from Maryland would like to speak.

I would like to point out one more time about our balanced budget debt tracker. We only have 1 more day to go. We might as well finish what we started, and that is after the 27th, we were $22 billion in debt; after the 28th, we will be up to $23 billion; the 28th day, we have added to our deficit of $4.8 trillion since the beginning of this debate. Frankly, we are now in day 29, and here we are, as we debated this matter, we are now up to $24,053,760,000 in additional debt to the baseline of $4.8 trillion since we started debating. We will be adding one more of these green debt tracker slots tomorrow, the 30th day since we started debate on this matter.

It is apparent this will go up every day we do not pass a balanced budget amendment. It is apparent we will have to have $300 billion a year in added deficits, maybe $350 billion a year in added deficits every year that we do not do something about this. So this balanced budget debt tracker is a very, very, important indication of just where we are going.

We have to do something about it. Everybody admits that. Are we going to do business as usual, which is where we have been for the last 60 years—certainly, the last 36 years, when we have only balanced the budget once—or are we really going to do something new here, something that would work, to put the pressure on Presidents to have to do something about bringing the budget into balance, and something that would put pressure on Members of Congress to make priority choices among competing programs?

If we do not do that, we are mortgaging the future of our children and grandchildren. I hate to see that. Tomorrow is a big day. By the end of the day, we will know whether we passed a balanced budget amendment, and I hope we will. I will limit my remarks to that and the chart tomorrow, and hopefully we can finish tomorrow in a short time.

Mr. President, the opponents of the balanced budget amendment seem to have an infatuation with requiring the implementation plans before we pass the balanced budget amendment. This latest version requires us to pass the implementing legislation before we pass the amendment itself. This is, to say the least, a peculiar way of proceeding.

This amendment is a requirement that we put the cart before the horse. Mr. President, how can we implement a constitutional amendment which has not yet been ratified?

If the Framers worked as this proposal suggests we should, all Federal laws would have had to be passed before there was even a Congress to pass them. Does the Senator believe we should have had to choose all the jurors for a trial before we adopted the sixth amendment? Or pass the 1964 Civil Rights Act before we adopted the 14th amendment?

This type of amendment is a perfect example of why we need the balanced budget amendment. Congress is always looking for a way out—a way to stave off responsibility. And the Congress knows that the balanced budget amendment means that it will be held responsible for its actions.

It also confuses the debate about the rule with the debate about outcomes within the rule. The proponents are interrupting the discussion of the rules until the outcomes within the rules can be determined. It is like stopping the discussion of the rules of a poker game until it can be determined what hands will be dealt. We need to establish this new regime of rules before we can start implementing it.

Mr. President, I have made it as clear as I possibly can that after the balanced budget amendment is ratified, I will be more than happy to work with any Member of the Senate in drafting the implementing legislation. I cannot do any more than that. It is simply not possible to do as the proposed amendment seeks, to pass the implementing legislation before the balanced budget amendment is ratified.

I hope we can put this proposal aside and move back the real issue at hand—will we stop the Government's slide into an endless pit of debt or stand idly by and watch as the country falls into economic crisis?

IN OPPOSITION TO THE BALANCED BUDGET AMENDMENT

Mr. MOYNIHAN. Mr. President, the distinguished scholars and administrators of the Jerome Levy Economics Institute of Bard College placed an advertisement in this morning's Washington Post which delineated the perils of writing economic policy into the U.S. Constitution. This document deserves the fullest attention of the Senate and I ask unanimous consent that the entire text be printed in the RECORD.

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

[From the Washington Post, Feb. 27, 1995]

AN INVITATION TO DISASTER

The Balanced Budget Amendment would destroy the ability of the United States government to prevent economic depressions, to respond to natural disasters, to protect the savings of tens of millions of working Americans, and, over time, to enable the economy to grow.

The ability of the federal government to pump money into an ailing economy has time and again in the postwar era limited the depth and duration of a recession and prevented a depression. During the 1957–58 recession, the Eisenhower administration deliberately increased the deficit. That strategy brought a rapid end to the decline. During every recession thereafter, either by design or through circumstance, a deficit was crucial in containing and ending the decline. For example, tax reductions adopted in 1981 were not planned as a counter-recession tactic, but the enacted cut that took effect in 1982 was the key to the recovery that began in that year.

Floods in the Midwest, hurricanes in the Southeast, and earthquakes in California during recent years prompted the federal government to spend hundreds of millions to relieve suffering and limit damage. Scientists who study natural phenomena warn against worse disasters. The balanced budget amendment would keep the federal government from dealing with such calamities.

Occasional man made disasters have occurred throughout the history of capitalism—for example, the savings and loan debacle of the 1980s. Had the federal government not been able to provide the money to validate the deposits of millions of ordinary citizens, their losses and runs on saving and commercial banking institutions would have recreated 1932. To assume that financial crises will never recur is unrealistic.

The balanced budget amendment ignores the nature of our monetary system. The Federal Reserve and the commercial banks issue money against their holdings of federal debt. Under a balanced budget amendment, the debt will not increase. Eventually the system will not be able to create the money the economy needs in order to grow.

The Jerome Levy Economics Institute.

S JAY LEVY,
Chairman.
LEON LEVY,
President.
HYMAN MINSKY,
Distinguished Scholar.
DIMITRI PAPADIMITRIOU,
Executive Director.
EDWARD V. REGAN,
Distinguished Fellow.
DAVID A. LEVY,
Vice Chairman, Director of Forecasting.

Mr. CHAFEE. Mr. President, there is no greater problem facing the country today than our continual failure to balance the Federal budget.

Unfortunately, this is not a new phenomenon. Over the past 33 years we have balanced the budget once, one-quarter of a century ago in 1969. Had the Social Security program not generated a surplus, we would not have balanced the budget in that year either.

Furthermore, the forecasts put out by the Congressional Budget Office and the administration show that, absent

dramatic action on our part, these deficits will not end any time soon. For example, CBO predicts that the deficit in the year 2005 could be as high as $421 billion.

The President's budget, which was released early this month, forecasts Federal deficits of approximately $200 billion for each of the next 5 years, and gives no promise that they will decline anytime after that period. Even worse, the President has taken little action to address this problem.

In the President's plan, $81 billion of deficit reductions are relatively minor when it is realized those occur over 5 years; $60 billion of those cuts come from keeping discretionary spending at today's level.

Why is it bad that the Federal Government routinely spends more than it takes in?

We are told in soothing tones by the administration that the deficits are each year predicted to be a lower percentage of the gross domestic product. That is somehow meant to be grand news, even though the dollar amounts of the deficits constantly grow.

The problem is that every year we run a deficit, we must borrow to fund the shortfall. From the beginning of our country until today, we have incurred a debt of about $5 trillion, with the overwhelming portion of that accumulated over the past 15 years.

The cost of servicing that debt will total $339 billion in 1995, making interest the second highest single Federal expenditure after Social Security.

To put this number in perspective, our gross interest expense for 1995 is more than the entire Federal budget 20 years ago. Imagine how this money could be used to improve our education, or better our health care system, or bolster our efforts to combat crime.

Aside from diverting resources that could be used for much better purposes, the deficit also places a great strain on the national economy. The most notable effect is on interest rates.

Alan Greenspan, Chairman of the Federal Reserve Board, recently testified before the Finance Committee on this subject. According to Chairman Greenspan ''investors here and abroad are exacting from issuers of dollar-denominated debt an extra inflation risk premium that reflects not their estimate of the most likely rate of price level increase over the life of the obligation, but the possibility that it could prove to be significantly greater.'' This risk premium is directly the result of our large Federal budget deficits.

These artificially high interest rates affect all Americans. Families pay this risk premium when they borrow money for a home, for a new car, to finance their children's education.

The Federal deficit also has a negative effect on future economic growth. Our potential to expand the economy is directly linked to the amount we invest in physical and human capital. Newer and better machinery, and a work force whose skills are continually updated, provide the foundation for increasing our output of goods and services. With this higher productivity comes a higher standard of living.

To achieve this, however, we must have a pool of national savings from which this investment can be made. Unfortunately, our national savings rate has declined dramatically over the last decade, in part because the Federal Government has engaged in a policy of dissaving through its deficit spending. The Federal Government's reliance on borrowing to pay its bills crowds out the private sector, making it more difficult for it to obtain financing.

But the worse consequence of this fiscal irresponsibility is that we are jeopardizing the economic futures of our children and grandchildren. We are living beyond our means and passing along the bill to future generations.

I recently ran across a paper which described this problem. The paper discussed the idea of generational accounting, which a process of measuring how Government policies affect the distribution of income and wealth among different generations rather than simply over a 5- or 10-year budget period.

To make this comparison, the authors calculated lifetime net tax rates for various generations. My generation will face a lifetime net tax rate of 26 percent. This compares to a lifetime net tax rate of 34 percent for a person born in 1991.

What is troubling is the gloomy forecast for future generations. According to this analysis, if we do not take action to improve our fiscal situation, future generations will face lifetime tax rates that approach 70 percent. In other words, future generations can look forward to handing over 70 cents of each dollar earned to the Government if we do not reverse our present course.

For the past few years the administration has also included a generational analysis in its budget documents. Its analyses generated results that were similar to the figures just mentioned. Unfortunately, the President chose to delete this section from this year's budget.

Why will future generations face such a daunting tax bill? Consider the obligations we have levied upon them. The Social Security Program, while solvent today, faces drastic long-term problems once the baby-boom generation—born in the 1950's—retires. The surpluses, that the program is currently generating, will reverse in the year 2013 and will quickly evaporate, leaving workers in the middle of the next century with a hefty bill for providing retirement benefits for those working today.

On top of that, the general fund has amassed $5 trillion in debt to date and is likely to add $750 billion more even with the passage of the balanced budget amendment. At some point that debt must be repaid.

What exactly does the balanced budget amendment do? Very simply, it prohibits Federal outlays from exceeding Federal receipts unless a three-fifths majority of both Houses of Congress approve a specific deficit.

In other words, it says that Congress can only spend what it is willing to collect in taxes, unless Congress determines that there is a legitimate reason for running a deficit. Such a situation could arise, for example, if the country fell into a recession or was hit with a natural disaster. But those would be the exceptions which Congress would expressly authorize. The balanced budget constraint on Congress would be comparable to that which every American family faces.

Mr. President, this amendment makes fiscal responsibility the norm rather than the exception.

The Federal Government has failed to balance its budget for 25 straight years. Over this period there have been both Republicans and Democrats in the White House, and the Senate has had both Republican and Democratic majorities. Neither party is free from blame. The truth is, there has not been the will to make the tough decisions necessary to balance the budget

The amendment before the Senate today demands the same fiscal responsibility from the President that it establishes for Congress. It requires the administration to submit a budget to Congress in which outlays do not exceed receipts. I think that makes perfect sense. It recognizes that both branches of Government must participate in this very difficult task if we are to succeed.

In addition to requiring a balanced budget, the amendment requires a majority of the whole number of each House of Congress to approve, by a rollcall vote, legislation raising revenue. Frankly, this is not a critical component of this proposal, because historically most tax bills have passed Congress with constitutional majorities.

However, I am grateful that the sponsors have not sought to include a three-fifths majority requirement for raising revenue. That issue was considered and rejected by the House, and rightly so. That provision would be disastrous for this country, because it would significantly hamper our ability to govern. Facing a potential deficit, Congress would, in all likelihood, be forced to cut spending rather than raise revenue because the latter would be much more difficult to accomplish. While I support spending cuts over tax increases, it would be unwise for us to tilt the playing field against raising revenue as part of the Constitution. I would not support this amendment if the three-fifths majority for raising revenue were included in it.

The amendment includes a process whereby its requirements could be waived by a simple majority for any year in which a declaration of war is in effect or where the United States is engaged in military conflict which causes

an imminent threat to national security. I think those are legitimate circumstances to warrant deficit spending, and the amendment provides the appropriate amount of flexibility to adequately address them.

Mr. President, the amendment encompasses the entire Federal budget. Section 7 states that ''total receipts shall include all receipts of the United States Government except those derived from borrowing'' and that ''total outlays shall include all outlays of the United States Government except for those for repayment of debt principal.''

What this means is that every dollar that comes into the Treasury and every dollar that goes out of the Treasury will be counted in determining whether the budget is balanced.

Again, this makes eminent sense and is exactly the way every family in America must manage its fiscal affairs.

Much of the effort to derail this resolution has centered on excluding certain programs from the balanced budget requirement. In fact, this assault began during the amendment's consideration in the Judiciary Committee, when an effort was made to exclude Social Security.

Mr. President, I find it inconceivable that we would consider adopting, as part of the Constitution, an exclusion for Social Security or any other aspect of the federal budget. I am firmly behind protecting the fiscal soundness of the Social Security System, but I think it is absurd to exempt a program that represents 29% of all Federal receipts and 22% of all Federal outlays.

The true folly with this effort to protect Social Security is that by applying different rules to that program it becomes a magnet for efforts to circumvent the balanced budget amendment. Other federal programs will begin to find their way under the Social Security umbrella, and we will have achieved little if anything in the way of deficit reduction. This loophole, once opened, would be very difficult to shut.

Exempting Social Security receipts would also provide a perverse incentive for future Congresses to shift Social Security taxes revenues to the general fund. This action would be particularly attractive since the program currently collects more in revenue than it pays out in benefits. But such an action would seriously undermine the actuarial balance of the Social Security trust fund, and would almost certainly require draconian changes in the future in order to stave off bankruptcy when the baby boom generation retires. The irony of the exemption for Social Security is that, unless our fiscal house is in order, we won't be able to meet our Social Security obligations. And unless Social Security is factored into the balanced budget equation, we will not get our fiscal house in order.

Critics of the balanced budget amendment argue that it is a sham; that it avoids the rough choices required to balance the budget. I strongly disagree.

What it represents is the first and most important step in a long and very difficult journey to fiscal responsibility. It symbolizes that the tides have finally changed; that we are committed to living within our means, and that we are willing to embody that principle in the document that sets forth the foundation on which our whole system of government operates.

Other fiscal disciplines we have enacted, while important, have not done the job. The Gramm-Rudman-Hollings deficit control laws, the firewalls, the discretionary spending caps, and the pay-as-you-go rules have failed to break the attractive lure of deficit spending.

Opponents have argued that we should not pass a balanced budget amendment until its supporters outline specifically how we plan to reach that goal. That was the so-called right-to-know amendment to the resolution before us. But this is simply a smokescreen thrown up by those in this Chamber who have no intention of supporting this proposal, whether or not a plan is outlined.

The fact is, there is no agreed upon path to reaching a balanced budget. The path that I would prescribe is likely to be different than the paths that other members might advance. Any plan that will be adopted to reach this goal, will be the product of numerous compromises and the give and take of the normal political process. All of that will take place once the requirement is established. The appropriate time frame for outlining how to balance the budget is after we have committed ourselves to making that the law of the land. It is the process that we are trying to change with this proposal.

To those who do not support the resolution before us I ask: What is your plan? Are you content with the current situation where annual deficits exceed $200 billion for the foreseeable future? Do you believe that if we put this problem off for another day, it will get easier? Do you believe that we are improving our children's futures by dropping this massive debt in their laps?

Mr. President, every previous effort to balance the budget without an amendment to the Constitution—that is, by statute—has failed to achieve that goal.

Why has that been the case? The answer is simple.

Once the targets become too difficult to meet, we simply changed the law. This resolution makes it difficult for us to avoid our responsibility. The task is monumental, but the consequences for our failure are far worse. If this amendment is defeated, the ones who will be hurt the most are the future generations of our nation.

Ms. SNOWE. Mr. President, as I have done on so many previous occasions in Congress, I rise today in strong support of a balanced budget amendment to the Constitution of the United States.

It is my hope—and that of the American people—that we will pass this amendment tomorrow and begin to chart a new course for this Nation.

And there is now question that our Nation needs to change direction—both politically and economically, and put an end to the fiscal status quo. That message was made clear to all of us after the results of last November's elections. It is time to hear and act on that clarion call for change.

Tomorrow, we will have a chance to put to an end some of the hallmarks, some of the monuments, of America's status quo: our growing national debt and annual deficits.

I graduated from the University of Maine in 1969, and since the day I graduated, Congress has been unable—even unwilling—to pass one Federal budget that would have brought revenues in line with expenditures. That's right—we have not experienced one balanced budget since 1969, 26 years ago. It is almost hard to believe that we haven't passed a balanced budget since the year America put a man on the Moon. But with today's $4.7 trillion debt, we could walk to the Moon and back on a bridge of dollars bills stacked end to end from that debt.

As I have said before, this 26-year dry stretch represents one of our Nation's worst losing streaks, and it is Congress' very own fiscal losing streak.

But, today, we stand at the precipice of monumental change—the kind of change the American people voted for last November. The kind of desire for change that brought me here to this Chamber as a U.S. Senator. Today's vote on this measure will help the American people, ''to know the change and feel it,'' in the words of the English poet, John Keats.

Today is our opportunity to rise to the occasion and meet the expectations of the citizens of this country, or, we merely do nothing and uphold the malaise of economics-as-usual.

Passing the balanced budget amendment will help restore a lost sense of confidence and trust that our institutions of Government have been lacking for the past generation. Tomorrow's vote marks our generations' chance to make a positive difference for all other future generations of Americans. And as we act on this proposal, we should remind ourselves that what we do—or do not do—tomorrow on the floor on this amendment affects a generation that currently has no say, no voice, and no vote.

But they will pay the price. They will foot the bill. They will bear a terrible burden.

While today's vote has the promise of marking a new beginning for America, we must understand that it is only part of the means to the end—not the end of the process itself. If and when we decide to pass this balanced budget amendment, we begin a process that our Founding Fathers envisioned to be

in the best interest of democracy and the welfare of the American people.

Let us be clear about one thing: with tomorrow's vote, we will not be ratifying the balanced budget amendment. We will merely be giving the 50 States the opportunity—the chance—to ratify the amendment before us. Congress has an obligation and a responsibility to let the American people's voice be heard throughout the Nation, in every state capital. Seventy-eight percent of the American people support the balanced budget amendment, according to a recent survey by KRC Research and Consulting. Nearly three-quarters of all Democrats—73 percent—support the amendment, 88 percent of all Republicans, and 79 percent of all unenrolled voters.

Mr. President, I am confident that, when given the chance, the States and the American people will say ''yes'' to a new regimen of spending within our means; they will say ''yes'' to fiscal responsibility, they will say ''yes'' to putting our Nation's fiscal house in order on a permanent basis, and they will say ''yes'' to a Congress accountable to them and their needs.

After almost 4 weeks of continuous debate in the Senate and almost 13 years after this Chamber passed this same measure by one vote, and after 26 years of continuous deficits and growing debts, it is hard to believe we have again come to this point.

We have arrived at this juncture not necessarily by choice, but because economic and financial circumstances have compelled us to act. Our failure to take responsible action to end years and years of spiralling debt and deficit spending in the past is forcing our hand today. But make no mistake about it, tomorrow's vote is about tomorrow's generation.

Although the figures and statistics about our debts and deficits have often been mentioned during Senate debate on the balanced budget amendment, they bear repeating once again in order to show the American people—and opponents of this measure—the devastating costs of our fiscal irresponsibility and lack of action.

I think the American people and opponents of this measure need to be reminded that, since 1980, our national debt has grown from $1 trillion to a staggering $4.7 trillion for a growth rate of 309 percent. And our national debt is expected to grow to a whopping $6.3 trillion by 1999, for a growth rate of 453 percent since 1980. And an astounding 17 percent of our national debt—$800 billion—is held by other nations or people in other nations—so even control over our own indebtedness has been handed to foreign banks and foreign creditors.

The American people and opponents of this measure need to be reminded that in the next 5 years alone, the personal burden of this debt and these interest payments for every American man, woman, and child will rise from $17,938 to $22,909—that's growth of nearly $5,000 in just 5 years.

In fact, it should be pointed out that the Office of Management and Budget has already estimated that if we continue our current cycle of deficit spending, future generations—those who will inherit a Nation beset by fiscal problems we could not solve—will be forced to suffer a tax rate of 82 percent in order to pay the bills we left behind.

The American people and opponents of this measure need to be reminded that the annual interest we pay on our ever-increasing national debt has grown almost exponentially, rising from $177 billion in 1982—the only year when the Senate passed this measure—to almost $300 billion in 1994. And our annual interest payments are expected to balloon to $373 billion in 1999, for a 219-percent growth rate between 1982 and 1999.

To appreciate the impact of interest costs on our annual deficits, one only need look at the chart behind me. If we continue our current fiscal course, the interest costs related to servicing the debt will continue to exceed our total annual deficits.

The American people and opponents of this measure need to be reminded that every day, we add $819 million in daily interest to the national debt. That figure will rise to $1 billion in interest every single day of the year. In fact, as I speak here for about 8 minutes on behalf of the balanced budget amendment, we will have added almost $5 million to the debt. Unfortunately, even when I do stop speaking, the debt keeps on growing—and growing, and growing like the ''Energizer Bunny of our fiscal irresponsibility.''

The American people and opponents of this measure need to be reminded that these interest payments on the debt already consume 14 percent of our annual Federal budget. These interest payments consume 57 percent of all personal income taxes each year, while the interest payments we make on our debt are eight times higher than what we spend on our children's education, 50 times higher than what we spend on job training for our workers, and 55 times higher than what we spend on Head Start programs. With these interest payments out of the way, Congress can finally prioritize its spending to where the American people want their tax dollars to be spent.

The American people are painfully aware that the estimates of future deficits aren't getting any smaller no matter how much Congress procrastinates its fiscal discipline. Only a few months ago, the Congressional Budget Office told Congress that the estimated deficit in the current fiscal year would reach $162 billion, steadily rise upward to $197 billion by 1998, and climb again to $257 billion in the year 2000, and $319 billion in 2002.

The CBO now estimates that the deficit will be higher than prior projections by an average of $25 billion per year over the next 5 years. This year's deficit has already been increased to $176 billion, $222 billion in 1998, $284 billion in 2000, and $421 billion in 2005. Not only that, but between now and 2002, we will add a cumulative total of nearly $2 trillion to the existing debt if we make no change in fiscal policy.

But the American people also need to know that these numbers have a direct impact on their lives and on the future of their families. And they need to know that a balanced budget amendment would have a positive impact on their futures and on the economy of the Nation.

The New York Federal Reserve Board, in an often referred to study, showed how America lost five percent growth in gross domestic product—a loss in economic growth that translates into a 3.75 million job loss during the decade spanning 1979 and 1989—jobs in rural America, jobs in our inner cities, jobs on America's farms, and jobs for America's youth.

The Concord Coalition study showed that a loss of national productivity has caused a sharp decline in America's family incomes, resulting in an average family income of $35,000 rather than the estimated $50,000 it would have been in the absence of our structural deficits and burgeoning debt.

In June 1992, the General Accounting Office released a report showing a gradual decline in America's quality of life and standard of living if our deficit spending is not brought under control. But the report also showed that if we did balance the budget by the year 2001, then by the year 2020 the average American will have real growth in quality of life and income by 36 percent.

The econometrics firm DRI/McGraw Hill reported that a balanced budget is worth $1,000 a year to the average American household over the next 10 years. A balanced budget would boost long-term economic growth: national interest rates would drop by 2.5 percent and by the year 2002, half the savings that is said to be needed in our budget simulations could come from lower interest costs.

So the balanced budget amendment is not a gimmick—it does yield positive results. Most importantly, it puts into law what Congress has been unable and unwilling to do for the past two decades: that is, muster the courage and discipline necessary to balance the budget without an amendment to the Constitution.

Over the years—and often to stem the tide toward a balanced budget amendment—Congress has tried to balance the budget through statutory means. And on each and every one of these efforts Congress has failed.

The simple fact is statutory laws are easy to ignore. They are a paper tiger. During the past 26 years, Congress has operated without this amendment, but with eight statutes designed to lower or eliminate deficits. Looking at this chart, it is clear what the results have

been. Passing this amendment is the only way—our last choice, our last resort—to put our fiscal house in order.

I share the sentiments of whose who say Congress should be able to balance the budget without a constitutional amendment. But it is also said that you can learn from history. Mr. President, if the past 26 years have taught us anything, it is that Congress and the President are unwilling and unable to balance the budget absent a force greater than politics. That force is the Constitution of the United States.

If the states ratify this amendment, Congress will be beholden to a law with as much weight as the original Bill of Rights. Congress will be prohibited from ignoring annual deficits. We will be compelled by law to act. Each of us in this Chamber will have a duty to follow our solemn oaths of office to uphold and protect the Constitution. When we pass this measure, we will be beholden to following through on that oath.

Mr. President, today we can make history. Today, we should make history. We can make history by molding a better, brighter future for the next generation and for every generation thereafter. I hope today we will make the right kind of history, and chart a new course for America, one where balanced budgets and fiscal responsibility become the norm, and not the exception to the rule.

VICE PRESIDENT AND BALANCED BUDGET AMENDMENT

Mr. HATCH. Mr. President, the issue arises as to how House Joint Resolution 1 effects the obligations of the Vice President, as President of the Senate, to vote in case of a tie vote in the Senate.

Article I, section 3 of the Constitution provides that the ''Vice President shall be President of the Senate, but shall have no Vote, unless they be equally divided.'' By the plain meaning of this provision, the Vice President is not a Member of the Senate; he is merely the presiding officer—President of the Senate—a neutral umpire, and, thus, cannot vote or take part in the deliberations of the Senate. The only exception to this is where there exists a tie vote. In that case, to ''secure at all times the possibility of a definitive resolution of the body, it is necessary that the [Vice President] should have only a casting vote.'' *The Federalist No. 68* (Hamilton).

But the situation where the Vice President can break a tie vote only applies to a simple majority vote, the run-of-the-mill ordinary vote of the Senate. Where the Constitution, however, provides for a ''supermajority'' vote, in situations where the Framers of the Constitution feared the passions of majority rule would retard reasoned deliberation, there really is no occasion for a tie vote and therefore the Vice President may not vote.

These include the two-thirds vote requirement of each House to override a veto; the two-thirds vote requirement of the Senate to give its advice and consent to treaties; and the two-thirds vote requirement of the Senate to convict on impeachment.

The balanced budget amendment's supermajority provisions, whether the three-fifths number of the whole number of each House of Congress [sec. 1 waiver to allow outlays to exceed receipts; sec. 2 waiver to increase the limit on the debt], or the ''constitutional majority'' provisions—a majority of the whole number of each House—[sec. 4 requirement to raise revenue; sec. 5 requirement to waive amendment when the U.S. is involved in a military action that is a threat to national security]—would work the same way as the Constitution's other supermajority provisions.

Because these ''supermajority'' votes require a supermajority vote of the ''whole number of each House of Congress,'' and it is clear that the Vice President is not a member of either House, these provisions, like the two-thirds vote in the Senate for treaties, are exceptions to the simple majority vote general rule that the Vice President may vote in cases of a tie in the Senate.

Moreover, the Vice President would not have a vote because these supermajority provisions would mandate that a tie-vote would be meaningless. For instance, 60 votes in the Senate would be required to raise the debt ceiling—where three-fifths is required under section 2 of the amendment, and 51 votes would be needed to raise taxes, as required by section 4.

Mr. SPECTER. Mr. President, I have sought recognition to comment briefly on the issue of the potential issue of the jurisdiction of the Federal courts to decide matters under the constitutional amendment for a balanced budget if it is passed and ratified. I think it is important that courts not have jurisdiction to intervene in any controversy where the issue is the raising of taxes or the cutting of expenses, which would be the issues under the balanced budget amendment, because it is not a judicial function.

I think the preferable course is to have within the body of the amendment itself a flat statement that the Federal courts—no courts—would have jurisdiction over any controversy arising out of the balanced budget amendment.

We have seen in a case originating in Kansas City, MO, the State of the distinguished Presiding Officer, a situation where the courts actually ordered the imposition of taxes which, in my view, is not in any conceivable regard a judicial function. If there is any core legislative function, it is the raising of taxes. We elected officials are responsible to our constituents, and that is a core legislative function. But it happened and it was upheld by the Supreme Court of the United States in the celebrated 5-to-4 decision a few years ago.

There is a major issue as to whether the Congress has the authority, through legislation, to take away the jurisdiction of the Supreme Court or the Federal courts on a constitutional issue. There is a post-Civil War case, ex parte McCardle, which suggests that Congress has that jurisdiction. In my legal judgment, that case is not valid for any matter which is current today.

I believe that it is very unwise for the Congress to have legislative authority to take away the jurisdiction of the Supreme Court of the United States, for example, on a first amendment issue. That was a matter which was discussed extensively during the confirmation proceedings of Chief Justice Rehnquist, when after some discussion Chief Justice Rehnquist concluded that the Congress would not have the authority to take away the jurisdiction of the Federal courts on a matter involving the first amendment. When we got to other amendments, the fourth amendment, fifth amendment and sixth amendment, Chief Justice Rehnquist would not give the same response, nor would he respond to the difference of the authority of Congress to take away jurisdiction of the first amendment contrasted with the fourth, fifth or sixth amendments.

I give that very brief review to suggest that there may well be a question as to whether the Congress, through enabling legislation, could take away the jurisdiction of the courts to intervene on a controversy arising out of this balanced budget amendment. It is my hope that we will yet address that issue within the confines of the amendment itself. It may well be that critical votes necessary to pass the balanced budget amendment will depend upon our ability to find a way to satisfy those Senators. I believe that it is so important to pass the constitutional amendment for a balanced budget that I continue to support the amendment, even though an amendment offered to the constitutional amendment for a balanced budget failed in an effort to put within the balanced budget amendment itself a prohibition of Federal court jurisdiction. It gets sort of complicated when we talk about it, Mr. President.

I think the factors are clear. I think that our legislative history is clear. Aside from putting in a prohibition of Federal court jurisdiction, our legislative history is clear that it is congressional intent on the balanced budget amendment that the Federal courts should not have jurisdiction. But even the question of congressional intent is a muddy field, with some Justices—notably, Justice Scalia—saying he will not look to congressional intent but only to the body of the language itself.

So I will conclude by saying that I hope we have made it clear as a matter of Senate intent, congressional intent, that the courts should not have jurisdiction over any controversy under the balanced budget amendment, and with the extra hope that we may make it

plain in the body of the amendment itself before we conclude.

I yield the floor.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. HATCH. Will the Senator yield for just a unanimous-consent request?

Mr. SARBANES. Yes.

Mr. HATCH. Mr. President, I ask unanimous consent that ''A Balanced Budget Amendment,'' an open letter to Congress from all kinds of economists, doctors of economics, be printed in the RECORD. And I also ask unanimous consent that a column by William Safire on this matter also be printed in the RECORD.

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

BALANCED BUDGET AMENDMENT—AN OPEN LETTER TO CONGRESS, FEBRUARY 1995

It is time to acknowledge that mere statutes that purport to control federal spending or deficits have failed. It is time to adopt constitutional control through a Balanced Budget Amendment. In supporting such an amendment, Congress can control its spending proclivities by setting up control machinery external to its own internal operations, machinery that will not be so easily neglected and abandoned.

Why do we need the Balanced Budget Amendment now, when no such constitutional provision existed for two centuries? The answer is clear. Up until recent decades, the principle that government should balance its budget in peacetime was, indeed, a part of our effective constitution, even if not formally written down. Before the Keynesian-inspired shift in thinking about fiscal matters, it was universally considered immoral to incur debts, except in periods of emergency (wars or major depressions). We have lost the moral sense of fiscal responsibility that served to make formal constitutional constraints unnecessary. We cannot legislate a change in political morality, we can put formal constitutional constraints into place.

The effects of the Balanced Budget Amendment would be both real and symbolic. Elected politicians would be required to make fiscal choices within meaningfully-constructed boundaries; they would be required to weigh predicted benefits against predicted tax costs. They would be forced to behave ''responsibily,'' as this word is understood by the citizenry, and knowledge of this fact would do much to restore the confidence of citizens in governmental processes.

It is important to recognize that the Balanced Budget Amendment imposes procedural constraints on the making of budgetary choices. It does not take away the power of the Congress to spend or tax. The amendment requires only that the Congress and the Executive spend no more than what they collect in taxes. In its simplest terms, such an amendment amounts to little more than ''honesty in budgeting.''

Of course, we always pay for what we spend through government, as anywhere else. But those who pay for the government spending that is financed by borrowing are taxpayers in future years, those who must pay taxes to meet the ever-mounting interest obligations that are already far too large an item in the federal budget. The immorality of the intergenerational transfer that deficit financing represents cries out for correction.

Some opponents of the Balanced Budget Amendment argue that the interest burden should be measured in terms of percentage of national product, and, so long as this ratio does not increase, all is well. This argument is totally untenable because it ignores the effects of both inflation and real economic growth. So long as government debt is denominated in dollars, sufficiently rapid inflation can, for a short period, reduce the interest burden substantially, in terms of the ratio to product. But surely default by way of inflation is the worst of all possible ways of dealing with the fiscal crisis that the deficit regime represents.

Opponents also often suggest that Congress and the Executive must maintain the budgetary flexibility to respond to emergency needs for expanding rates of spending. This prospect is fully recognized, and the Balanced Budget Amendment includes a provision that allows for approval of debt or deficits by a three-fifths vote of those elected to each house of Congress.

When all is said and done, there is no rational argument against the Balanced Budget Amendment. Simple observation of the fiscal record of recent years tells us that the procedures through which fiscal choices are made are not working. The problem is not one that involves the wrong political leaders or the wrong parties. The problem is one where those whom we elect are required to function under the wrong set of rules, the wrong procedures. It is high time to get our fiscal house in order.

We can only imagine the increase in investor and business confidence, both domestic and foreign, that enactment of a Balanced Budget Amendment would produce. Perhaps even more importantly, we could all regain confidence in ourselves, as a free people under responsible constitutional government.

Dr. Burton A. Abrams, University of Delaware; Dr. Ogden Allsbrook, Jr., University of Georgia; Dr. Robert Andelson (Ret), Auburn University; Dr. Annelise Anderson, Stanford University; Dr. Terry L. Anderson, Political Economy Research Center; Dr. Richard Ault, Auburn University; Dr. Charles Baird, California State University—Hayward; Dr. Charles Baker, Northeastern University; Dr. Doug Bandow, Cato Institute; Dr. Eric C. Banfield, Lake Forest Graduate School of Management;

Dr. Andy Barnett, Auburn University; Dr. Carl P. Bauer, Harper College; Dr. Joe Bell, SW Missouri State; Dr. James Bennett, George Mason University; Dr. Bruce L. Benson, Florida State University; Dr. John Berthoud, National Taxpayers Union; Dr. Michael Block, University of Arizona; Dr. David Boaz, Cato Institute; Dr. Peter J. Boettke, New York University; Dr. Jeffrey Boeyink, Tax Education Foundation;

Dr. Cecil Bohanon, Ball State University; Dr. Donald J. Boudreaux, Clemson University; Dr. Samuel Bostaph, University of Dallas; Dr. Dennis Brennen, Harper College; Dr. Charles Britton, University of Arkansas; Dr. Eric Brodin, Foundation for International Studies; Dr. Richard C.K. Burdekin, Claremont McKenna College; Prof. M.L. Burnstein, York University; Dr. Henry Butler, University of Kansas; Mr. Ian Calkins, American Legislative Exchange Council;

Dr. W. Glenn Campbell, Hoover Institute; Dr. Keith W. Chauvin, University of Kansas; Dr. Betty Chu, San Jose State University; Dr. Will Clark, University of Oklahoma; Dr. J.R. Clarkson, University of Tennessee; Dr. Kenneth Clarkson, University of Miami; Dr. J. Paul Combs, Appalachian State University; Dr. John Conant, Indiana State University; Dr. John F. Cooper, Rhodes College; Mr. Wendell Cox, American Legislative Exchange Council;

Dr. Mark Crain, George Mason University; Dr. Ward Curran, Trinity College; Dr. Coldwell Daniel II, Memphis State University; Dr. Michael R. Darby, U.C.L.A.; Dr. Otto A. Davis, Carnegie Mellon University; Dr. Ted E. Day, University of Texas—Dallas; Dr. Louis De Alessi, University of Miami; Prof. Andrew R. Dick, U.C.L.A.; Dr. Tom Dilorenzo, Loyola College (MD); Mr. James A. Dorn, Cato Institute;

Dr. Aubrey Drewry, Birmingham Southern College; Dr. Gerald P. Dwyer, Jr., Clemson University; Dr. Robert B. Ekelund, Jr., Auburn University; Dr. Peter S. Elek, Villanova University; Dr. Jerry Ellig, George Mason University; Dr. John M. Ellis, University of California; Dr. Kenneth G. Elzinga, University of Virginia; Dr. David Emanuel, University of Texas-Dallas; Dr. David J. Faulds, University of Louisville; Mr. Richard A. Ford, Free Market Foundation; Dr. Andrew W. Foshee, McNeese University;

Dr. William J. Frazer, University of Florida; Dr. Eirik G. Furuboth, University of Texas-Arlington; Dr. Lowell Galloway, Ohio State University; Dr. David E. R. Gay, University of Arkansas; Dr. Martin S. Geisel, Vanderbilt University; Dr. Fred R. Glahe, University of Colorado; Dr. Paul Goelz, St. Mary's University; Dr. Robert Gnell, Indiana State University; Mr. John C. Goodman, National Center for Policy Analysis; Dr. Kenneth V. Greene, S.U.N.Y.—Binghamton;

Dr. Paul Gregory, University of Houston; Dr. Gerald Gunderson, Trinity College; Dr. James Gwartney, Florida State University; Dr. Claire H. Hammond, Wake Forest University; Dr. Daniel J. Hammond, Wake Forest University; Dr. Ronald W. Hanson, University of Rochester; Dr. David R. Henderson, Hoover Institution; Dr. Robert Herbert, Auburn University; Dr. A. James Heins, University of Illinois; Dr. John Heinke, Santa Clara University;

Dr. Alan Heslop, Claremont McKenna College; Dr. Robert Higgs, Independent Institute; Dr. P.J. Hill, Wheaton College; Dr. Mark Hirschey, University of Kansas; Dr. Bradley K. Hobbs, Bellarmine College; Dr. Randall Holcombe, Florida State University; Dr. Steven Horwitz, St. Lawrence University; Dr. Doug Houston, University of Kansas; Dr. David A. Huettner, University of Oklahoma; Dr. William J. Hunter, Marquette University;

Dr. Thomas Ireland, University of Missouri; Dr. Jesse M. Jackson, Jr., San Jose State University; Dr. Gregg A. Jarrell, University of Rochester; Dr. Thomas Johnson, North Carolina State University; Dr. David L. Kaserman, Auburn University; Dr. Robert Kleiman, Oakland University; Dr. David Klingaman, Ohio University; Dr. W.F. Kiesner, Loyola Marymount University; Dr. David Kreutzer, James Madison University; Dr. Michael Kurth, McNeese State University; Dr. David N. Laband, Auburn University;

Dr. Everett Ladd, University Connecticut; Dr. Harry Landreth, Centre College; Dr. Stanley Leibowitz, University of Texas—Dallas; Dr. Dwight Lee, University of Georgia; Dr. David Levy, George Mason University; Dr. Dennis Logue, Dartmouth College; Dr. Robert F. Lusch, University of Oklahoma; Dr. R. Ashley Lyman, University of Idaho; Dr. Jonathon Macey, Cornell University; Dr. Yuri Maltsev, Carthage College;

Dr. Alan B. Mandelstamm, Roanoke, Virginia; Dr. George Marotta, Hoover Institute; Dr. J. Stanley Marshall, The James Madison Institute; Dr. Merrill Mathews, Jr., National Center for Policy Analysis; Dr. Richard B. Mauke, Tufts University; Dr. Margaret N. Maxey, University of Texas—Austin; Dr. Thomas H. Mayor, University of Houston; Dr. Paul W. McAvoy, Yale University School of Management; Dr. Robert McCormick, Clemson University; Dr. Paul McCracken, University of Michigan;

Dr. Myra J. McCrickard, Bellarmine College; Dr. J. Houston McCulloch, Ohio State University; Dr. Robert W. McGee, Seton Hall University; Dr. Mark Meador, Loyola College (MD); Dr. Roger Meiners, Clemson University; Dr. Lloyd J. Mercer, University of California; Dr. Richard Milam, Appalachian State University; Dr. Dennis D. Miller, Baldwin Wallace College; Dr. Stephen Moore, Cato Institute; Dr. John Moore, George Mason University;

Dr. John Moorhouse, Wake Forest University; Dr. Laurence Moss, Babson College; Mr. Bob Morrison, Tax Education Support Organization; Dr. Timothy Muris, George Mason University; Dr. J. Carter Murphy, Southern Methodist University; Dr. Gerald Musgrove, Economics America; Dr. Ramon Myers, Stanford University; Dr. Michael Nelson, Illinois State University; Dr. William A. Niskanen, Cato Institute; Dr. Geoffrey Nunn, San Jose State University;

Dr. M. Barry O'Brien, Francis Marion University; Dr. David Olson, Olson Research Company; Dr. Dale K. Osborne, University of Texas—Dallas; Dr. Allen M. Parkman, University of Mexico; Dr. E. C. Pasour, Jr., North Carolina State University; Dr. Timothy Patton, Ambassador University; Dr. Judd W. Patton, Bellevue College; Dr. Sam Peltzman, University of Chicago Graduate School; Dr. Garry Petersen, Tax Research Analysis Center; Dr. Manfred O. Peterson, University of Nebraska;

Dr. Steve Pejovich, Texas A&M University; Dr. Timothy Perri, Appalachian State University; Dr. William S. Pierce, Case Western Reserve University; Dr. Sally Pipes, Pacific Research Institute; Dr. Yeury-Nan Phiph, San Jose State University; Dr. Rulon Pope, Brigham Young University; Dr. Robert Premus, Wright State University; Dr. Jan S. Prybyla, Pennsylvania State University; Dr. Alvin Rabushka, Stanford University; Dr. Don Racheter, Central College;

Dr. Ed Rauchutt, Bellevue University; Dr. Robert Reed, University of Oklahoma; Dr. John Reid, Memphis State University; Dr. Barrie Richardson, Centenary College; Dr. H. Joseph Reitz, University of Kansas; Dr. James Rinehart, Francis Marion University; Dr. Mario Rizzo, New York University; Dr. Jerry Rohacek, University of Alaska; Dr. Simon Rottenberg, University of Massachusetts; Dr. Roy J. Ruffin, University of Houston; Mr. John Rutledge, Rutledge & Company Inc.;

Dr. Anandi P. Sahu, Oakland University; Dr. Thomas R. Saving, Texas A&M University; Dr. Craig T. Schulman, University of Arkansas; Dr. Richard T. Seldon, University of Virginia; Dr. Gerry Shelley, Appalachian State University; Dr. William Shughart II, University of Mississippi; Mr. William E. Simon, William E. Simon & Sons; Dr. Randy Simmons, Utah State University; Dr. Daniel T. Slesnick, University of Texas—Austin; Dr. Frank Slesnick, Bellarmine College;

Dr. Daniel Slottje, Southern Methodist University; Dr. Gene Smiley, Marquette University; Dr. Barton Smith, University of Houston; Dr. Lowell Smith, Nichols College; Mr. Robert Solt, Iowans for Tax Relief; Dr. John Soper, John Caroll University; Dr. Michael Sproul, U.C.L.A.; Dr. Richard Stroup, Montana State University; Dr. Michael P. Sweeney, Bellarmine College; Prof. Ronald Teeples, Claremont McKenna College; Dr. Clifford Thies, University of Georgia; Dr. Roy Thoman, West Texas State University;

Dr. Henry Thompson, Auburn University; Dr. Mark Thornton, Auburn University; Dr. Walter Thurman, North Carolina State University; Dr. Richard Timberlake, University of Georgia; Dr. Robert Tollison, George Mason University; Prof. George W. Trivoli, Jacksonville State University; Dr. Leo Troy, Rutgers University; Dr. Gordon Tullock, University of Arizona; Dr. Norman Ture, Institute for Research on the Economics of Taxation; Dr. Jon G. Udell, University of Wisconsin;

Dr. Hendrik Van den Berg, University of Nebraska; Dr. T. Norman Van Cott, Ball State University; Dr. Charles D. Van Eaton, Hillside College; Dr. Richard Vedder, Ohio University; Dr. George Viksnins, Georgetown University; Dr. Richard Wagner, George Mason University; Dr. Stephen J.K. Walters, Loyola College (MD); Dr. Alan R. Waters, California State University; Dr. John T. Wenders, University of Idaho; Mr. Brian S. Wesbury, Joint Economic Committee; Dr. Allen J. Wilkins, Marshall University; Dr. James F. Willis, San Jose State University; Dr. Gene Wunder, Washburn University; Dr. Bruce Yandle, Clemson University; Dr. Jerrold Zimmerman, University of Rochester.

[From the Essay]

BALANCE THAT BUDGET

(By William Safire)

Back in 1972, when the Federal budget reached $245 billion, Congress took a look at that year's deficit—$15 billion—and decided the budget was out of control.

Wilbur Mills, chairman of House Ways and Means, took emergency action: he rammed through a bill delegating to the President the power to cut the budget any way he wanted when it exceeded $250 billion.

President Nixon was ready, but the Senate was not; in blocking that radical action, which would have transferred more power than the line-item veto, senators argued that ''there is no reason we cannot cut the budget deficit ourselves.''

They failed. During the Carter Administration, with national debt mounting, Virginia Senator Harry Byrd proposed an even more Draconian bill to balance the budget, and this one passed both houses and was signed into law. P.L. 95–435 stated: ''Beginning with Fiscal Year 1981, the total budget outlays of the Federal Government shall not exceed its receipts.''

Brave words. Because subsequent laws control, the mere passage of a deficit budget for 1981 nullified the Byrd law. Then came the Gramm-Rudman Act in the mid-80's, supposedly imposing real fiscal discipline for our generation; all that remains of that pass at self-restraint is Phil Gramm running for President saying he told us so.

Thus is demonstrated that budget-balancing statutes are hot air, and our experience shows that all protestations about a ''responsible'' Congress someday balancing the budget are groundless.

Meanwhile, the national debt has soared from a piddling $373 billion when Wilbur Mills sought drastic action to $5 trillion today. The interest we must pay on that debt now exceeds all we spend on national defense.

Worse, from the perspective of the budget our children will have to face, these are the good old days. Their tax dollars will be consumed by paying interest on the deficits we run today, leaving nothing for their own good life. They will condemn their parents' current profligacy as cruelly reckless.

That's why the Gingrich House has already passed the Balanced Budget Amendment to the Constitution as the centerpiece of its contract, and why four out of five Americans support its passage when the vote comes up in the Dole Senate tomorrow.

A third of the Senators could block it; minority rule is still possible.

With all Republicans except Mark Hatfield united behind the balancing amendment, and with most Democrats opposing such deficit demolition, key votes among the undecided are Senators Byron Dorgan and Kent Conrad. Never has so much of the nation's future rested on the decision of two guys from North Dakota.

Another potential savior of liberal spenders is Sam Nunn of Georgia who wants ironclad guarantees that the amendment will not be enforceable in court, lest some Federal judge wind up as de facto budget director.

But an unenforceable law would mock the Constitution. Let the legislative history show that in the event of imbalance, the Congress and the states intend any judicial injunction to apply to all spending and taxing as a lump, with no discretion left to judges to choose which spending to cut. If enjoined by the court from running a red-ink government at all the Congress would be forced to do its duty and balance the budget.

A few points for the gentlemen from North Dakota:

1. By voting yes, they would empower the people back home (including North Dakotans and Georgians) to join in deciding this great question; 75 percent of the states must vote to ratify or the amendment fails.

2. If the pendulum of public opinion swings, a future generation can choose new taxes over spending cuts as a means of balancing the nation's accounts. There's room for a shift back to activist government centralized in Washington, if that's what our children want.

3. President Clinton has just surrendered to red ink. His own pusillanimous budget, which makes not even the easy choices, helplessly projects another trillion in debt—and that assumes his rosy economic projections come true.

That last item is the crusher. Publicly bowing to personal and political defeat by the deficit, Mr. Clinton has turned the budget helm over to Congress. That branch has demonstrated how it needs to lash itself to the mast of the Constitution.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Mr. President, a good deal of the debate thus far has failed to focus on what I regard as one of the most important factors to be considered as we address this amendment to the Constitution—how the balanced budget amendment might affect the economy. What impact will the amendment have on jobs, on incomes, and on the long-term standards of living of the American people.

It is my strongly held view that a balanced budget amendment could, under certain economic circumstances, cause significant harm to the economy. Requiring a balanced budget in each and every year, as this proposed amendment requires, regardless of the economic situation, would hamper the ability of the Federal Government to lessen the impact of recessions.

A balanced budget amendment would make economic recessions more severe than they might otherwise be. The reason for that is that currently the Federal budget helps to lessen the impact of recessions through what are called automatic stabilizers.

These automatic stabilizers allow spending to increase and revenue to fall during times of economic hardship. When the economy goes into a downturn, headed toward a recession, the automatic stabilizers start to work.

Spending on Federal Government programs, such as unemployment compensation and food stamps, automatically increase as the economy goes into recession, as more people lose their jobs and become eligible for these programs.

In addition, as people earn less money as a result of a recession, they pay less in taxes. The way our system is currently constructed, these changes in spending and taxes occur automatically. These automatic stabilizers reduce the damage done to the American economy and to American families by the recession.

The balanced budget amendment would force the Government to raise taxes and to cut spending in recessions, at just the moment that raising taxes and cutting spending will do the most harm to the economy and aggravate the recession; in other words, it would work directly counter to cushioning or ameliorating the impacts of the recession.

This chart shows the percent change in gross domestic product, beginning back in the 1880's and coming forward to the present. Since World War II and the concept of automatic stabilizers we have lessened the severity of economic downturns. As a consequence of the economic downturn there was greater job loss and less revenue into the Treasury. There were also increased expenditures out of the Treasury for unemployment insurance and for medical care and food stamps. The increased expenditures and loss of revenue allow a deficit to take place in an economic downturn and work to support incomes and stimulate the economy.

In the post-World War II period, we have allowed that to happen without trying to balance the budget in an economic downturn. Prior to World War II we tried to balance the budget in an economic downturn. President Hoover did it before the Great Depression.

Previously, when we tried to do this, the business cycle went through tremendous fluctuations. Prior to economic stabilizers the growth in the economy would go from boom to bust. We used to have very deep valleys of negative growth. In fact, during the Depression, we had 15-percent negative growth. From 1929 to 1933 we had a 30-percent drop in our gross national product, almost a one-third drop in gross national product.

So prior to World War II, we had these tremendous fluctuations, and in the postwar period, using the automatic stabilizers, we have been able to effectively eliminate periods of negative growth. We still have fluctuations, but they are much shallower and most of them have taken place above the positive growth line.

In fact, Charles Schultze, in testimony he gave concerning the balanced budget amendment said, and I quote him:

> A balanced budget amendment would be bad economics. Federal revenues automatically fall and expenditures for unemployment compensation rise when recessions occur. The deficit necessarily rises. This budgetary behavior is a very important economic stabilizer. It helps sustain private incomes during recession and thus keeps sales, employment and production better maintained than they otherwise would be.

And he goes on to state:

> The American economy in the postwar years has been far more stable than it was between the Civil War and the Second World War, even if we exclude the Great Depression from the comparison. In the period between the Civil War and the First World War, the American economy spent about half the time in expansion and half in contraction.
>
> In the period since 1946, the economy spent 80 percent of the time expanding and only 20 percent contracting. In the years after the Second World War, fluctuations in the American economy around its long-term growth trend were only half as large as they were in the period 1871 to 1914. Many people who have studied the period, credit an important part of the increased economic performance to the automatic stabilizing characteristics of the Federal budget.

Under the proposed constitutional amendment, this stabilizing force would be seriously threatened. The first year of a recession would turn an initially balanced budget into deficit, but under the proposed constitutional amendment, the Congress would be required to bring the budget back into balance by large tax increases or spending cuts imposed as the recession was still underway.

Of course, to do that would only drive the recession downward and move the economy even deeper, deeper into these valleys.

Let me just talk a little bit about how the fiscal stabilizers work in terms of keeping income up during an economic downturn.

This chart illustrates how automatic stabilizers work.

Between the second quarter of 1990 and the fourth quarter of 1991, real personal income from all sources before taxes and without transfers fell by 2 percent.

In other words, we went into an economic slowdown, and personal income began to decline. Transfer payments including unemployment insurance, food stamps, and medical care increase. These payments do not increase incomes up to the level that they were earning, but it gives them a percentage of what they were earning so they are not completely wiped out. They have some income continuing to come in.

So as you start this deep decline in wages, families were able to keep up their after-tax income and after-transfer income. So these payments offset or cushioned what was happening as a consequence of the recession. The reason this happens is that Government fiscal policy helps to stabilize incomes.

During the 1990–92 recession family incomes before taxes and before any transfer income fell by $70 billion, but their incomes after taxes and with the transfer income rose by $92 billion. So we were able to cushion the economic downturn, and we did it because we got income support from these fiscal stabilizers. You get direct income support through unemployment insurance, and you get a decrease in the tax burden as a consequence of the economic slowdown.

Now, had the balanced budget amendment been in effect, these income stabilizers would not have been available, real disposable incomes of American families would have been almost $100 billion lower, and the recession would have been much, much deeper. It is for this reason that an article in the New York Times only a few days ago said, and I quote its heading, ''The Pitfalls of a Balanced Budget, Dismantling a Decades Old System for Softening Recessions.'' The article goes on to say, and I quote it:

> If the amendment is enacted, the side effects would be huge. A system that has softened recessions since the 1930's would be dismantled.

And further on, the article states:

> The biggest risk is to the Nation's automatic stabilizers which have made recessions less severe than they were in the century before World War II. The stabilizers work this way: When the economy weakens, outlays automatically rise for unemployment pay, food stamps, welfare and Medicaid. Simultaneously, as incomes fall, so do corporate and individual income tax payments. Both elements make more money available for spending, thus helping to pull the economy out of its slump.

Now, we would run the risk, without the automatic stabilizers which help to offset the downturn, of putting the economy back in the boom-and-bust cycle which was particularly marked in the late 1800's and through the first half of this century and which prompted the comments made by Charles Schultze with respect to how we have managed to offset the economic downturns since the end of World War II. As he pointed out in his statement, the American economy in the postwar years, post-World War II years, has been far more stable than it was between the Civil War and the Second World War. And as he states, ''Many people who have studied the period credit an important part of the improved economic performance to the automatic stabilizing characteristics of the Federal budget.''

Some of my colleagues have argued, we can waive the amendment with 60 votes. I do not know of constitutional principles that are waivable, but they say we will come along and we will get a 60-vote supermajority and we will waive the requirement of an annual balance in order to address the recessionary situation.

The difficulty with this is that the automatic stabilizers work automatically, and they take effect immediately. The stabilizers, which prevent these deep fluctuations, begin as soon as the economy softens. They begin before the economic downturn is generally recognized.

Various votes have been cited in the Chamber by others who say, we took a vote and extended the unemployment insurance, and this vote passed by a

large majority, so clearly if we were into difficulties, we will get the majorities necessary in order to waive the balanced budget amendment and run the deficit to offset the recession.

The first point I wish to make is that we have not always gotten those votes for the extension of unemployment insurance. In the 1982 recession, for example, there was a vote that failed to get the 60-vote requirement. So it is not accurate to say that whenever the issue is presented, the Congress has always responded—and particularly not responded in a timely fashion.

Second, those votes that people cite are votes for a further extension of unemployment insurance beyond what the basic program provides by law. But the application of the fiscal stabilizers begins with the use of the basic program. There is no vote taken here to institute the basic program. The basic program begins automatically as the economy slows down, and we rely upon that basic program to cushion the economic downturn.

If the economic downturn is severe, there is a necessity to extend the basic program. On that extension, it has on occasion been approved by large votes and on other occasions not so approved.

So it is not at all clear that the vote necessary to waive the amendment would be forthcoming, and in any event it is crystal clear that the vote comes very late in the day after we have already started on the downward slope. Therefore, our ability to check that downward movement to avoid these kinds of fluctuations will be markedly limited under the balanced budget amendment. We are inviting the prospect of going from these fluctuations over the business cycle without the deep moves into negative growth back to the very fluctuations that marked the economy in the century before the post-World War II period.

This matter may seem somewhat far removed because we have not had a great depression for a long, long time. But I simply want to underscore that what these deep plunges into negative growth represent very severe unemployment, the likes of which we have not seen in the post World War II period: Very extensive business failures—bankruptcies, farm foreclosures. So we would be crippling our ability to address economic downturns.

Laura Tyson, when she was the chair of the President's Council of Economic Advisers stated in an article entitled, ''It's a Recipe For Economic Chaos'':

> Continued progress on reducing the deficit is sound economic policy, but a constitutional amendment requiring annual balance of the federal budget is not. The fallacy in the logic behind the balanced budget amendment begins with the premise that the size of the federal deficit is the result of conscious policy decisions. This is only partly the case. The pace of economic activity also plays an important role in determining the deficit. An economic slowdown automatically depresses tax revenues and increases government spending on such programs as unemployment compensation, food stamps and welfare.
>
> Such temporary increases in the deficit act as ''automatic stabilizers,'' offsetting some of the reduction in the purchasing power of the private sector and cushioning the economy's slide. Moreover, they do so quickly and automatically, without the need for lengthy debates about the state of the economy and the appropriate policy response.
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> * * * * *
>
> A balanced budget amendment would throw the automatic stabilizers into reverse. Congress would be required to raise tax rates or cut spending programs in the face of a recession to counteract temporary increases in the deficit. Rather than moderating the normal ups and downs of the business cycle, fiscal policy would be required to aggravate them.

That is exactly what used to happen when we experienced the boom and bust cycles prior to World War II, and when we talked about the panics, the great panic of 1893, and 1922, and 1929.

Mr. President, I ask unanimous consent that the article by Laura Tyson be printed in the RECORD at the conclusion of my remarks.

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

(See exhibit 1.)

Mr. SARBANES. Mr. President, I want to address one other feature of this proposal for a balanced budget amendment. We do not have a capital budget at the Federal level and therefore the analogy that is drawn, where people say the State and local governments balance their budgets, why does the Federal Government not balance its budget—is completely false. Most States run deficits under the accounting principles used to compute the Federal budget. States have balanced budget requirements but they have a capital budget separate and apart, which they finance by borrowing.

We had two Governors who testified that having a balanced budget requirement helped them maintain a good credit rating.

The question was then, ''Why do you need a good credit rating if you have to have a balanced budget?''

Of course the answer was they expected to borrow in the future. In fact the Governors acknowledged that their budget balance is required only on their operating budget and that they make active use of a capital budget for which borrowing is permitted. Individuals, of course, borrow. Most people could not buy a home or a car if they had to have an annually balanced budget of the sort that this amendment requires because they would not be able to make a capital investment. It is prudent economics to make wise capital investments in your future and to depreciate the capital asset over its useful life.

Let me just turn to the question of the failure of this amendment to distinguish between different types of spending and the impact that those different types of spending would have on fiscal policy. The first is deposit insurance. It must be understood, this amendment requires an annual balance; the outlays and the receipts must be in balance. Between 1988 and 1991, substantial outlays were used to close insolvent thrifts and transfer their assets to the Resolution Trust Corporation. As these assets have been sold in recent years, they have begun to yield a smaller but still sizable stream of net revenue back to the Treasury. This kind of flexible response to a major national financial crisis would have been prevented by the year-by-year lockstep approach of the balanced budget amendment, which makes no account for anticipated future receipts.

The amendment actually requires the current outlays for deposit insurance be matched with current spending cuts or tax increases. This would produce a strong downward pressure on the economy because deposit insurance payments do not add to current economic activity. They replace moneys which depositors already considered as in the bank, while the offsetting cuts or taxes would subtract for current activity.

There was an interesting article that appeared in this morning's paper entitled, ''The High Cost of a Balanced Budget Amendment.'' Mr. President, I ask unanimous consent that article appear in the RECORD at the conclusion of my remarks.

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

(See exhibit 2.)

Mr. SARBANES. It is stated there:

> Advocates of the Balanced Budget Amendment to the Constitution do not intend to jeopardize the life savings of America's families or threaten the stability of the nation's banks. As written, however, the amendment could do just that.

What happens now is, as soon as you encounter a problem, the deposit insurance fund covers those deposits. But in order to do that, your outlays have to exceed your receipts in the year in which you are making that coverage.

Insurance claims are automatically paid as needed, regardless, under the deficit. Under the amendment, if deposit insurance payment would cause a deficit, might not those payments be prohibited?

> During a severe economic downturn, the risk of bank failure is greatest. An economic downturn also produces (or exacerbates) federal budget deficits, as tax revenues decline and spending for programs such as unemployment compensation increases. At such a time, the government would lack the extra revenues it could need to cover the large costs of rescuing depositors and the banking system. Under current law, deposit insurance claims are automatically paid as needed, regardless of the deficit. Under amendment, if deposit insurance payments would cause a deficit, might not those payments be prohibited?

So it is a very important question as we consider the amendment before us. Furthermore, I have difficulty in understanding under the amendment how, with respect to both Social Security and unemployment compensation, we would be able to use the balances that we build up in those trust funds in

order to cover future years? How would we be able to expend those balances since by definition to do so your outlays would be exceeding your receipts in that particular fiscal year. We regard that as wise policy. We build up these surpluses in the instance of the Social Security System in anticipation of retirement of the baby boom generation, and with the unemployment system we build them up during better economic times in order to pay benefits during recessions.

How would those surpluses be used in the future when the baby boomers retire or when the next recession hits since you would have an excess of outlays over revenues in the Social Security trust fund with respect to Social Security and in the unemployment insurance trust fund with respect to unemployment insurance?

So this requirement of an annual balance between outlays and receipts fundamentally undermines the economic prudence associated with anticipatory budget. This is budgeting which we have done consistently, and I think wisely. We build up the funds in the trust fund and spend them during difficult times by anticipating the future expenditures.

Mr. President, the New York Times today in an editorial entitled ''Unbalanced Amendment'' addresses this point. I ask unanimous consent that the editorial be printed in the RECORD at the conclusion of my remarks.

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

(See exhibit 3.)

Mr. SARBANES. Mr. President, this editorial addresses this point of the automatic stabilizers and our ability to avoid these very deep and severe economic downward plunges.

I quote the editorial:

When the economy slows, tax revenues fall off and spending on unemployment insurance and food stamps rises. The automatic rise in the deficit by triggering spending serves to mitigate the slowdowns, but under the proposed amendment Congress could easily turn a $1 million downturn into something worse. Unless a three-fifths supermajority saves the day, Congress would have to raise taxes and cut spending in a slow economy, the opposite of responsible stewardship. Take another unintended consequence. When savings and loans went bankrupt during the 1980's, the Federal Government bailed out the depositors with borrowed money, thereby preventing a banking panic. But under the proposed amendment the government could not react instantly unless a supermajority in Congress approved.

Before people start saying we could get a supermajority vote to waive the amendment, let me just remind them of the extremely close votes that we had here on the floor of the Senate with respect to providing the funds to cover the closing out of the failed S&L's.

Mr. President, I regard the vote coming tomorrow as a critical vote for a number of reasons, but in particular because I am extremely apprehensive that by eliminating our ability to conduct a rational fiscal policy to offset economic downturns, we will again plunge our economy into the severe up and down boom and bust cycles which we experienced consistently through our history. This is not hypothetical. This is not conjecture. This is what happened.

This chart only shows GDP back to the 1880's, but we could have taken it back farther, and it would have shown the same severe up and down fluctuations. We have been able to moderate those movements of the business cycle during the post-World War II period. People have become accustomed to the more moderate business cycle. Many simply assume that somehow the business cycle will continue as it were. But the business cycle remains with us. As the ups and downs prior to World War II show, we have succeeded in ameliorating the business cycle, cushioning it as it begins a downward path. So that we have avoided the very deep plunges that we previously had experienced. These deep plunges represent economic disaster for the country. They represent unemployment, business bankruptcies, and farm foreclosures, the like of which we have not seen in the post-World War II period. We almost seem to take it for granted that these major declines will not occur.

I am extremely apprehensive that the balanced budget amendment will take us back to these days. I wanted to come tonight to sound this warning as to the potential impact of this balanced budget amendment and how it might affect our economy, how it might impact on jobs, on incomes, on the long-term standards of living of the American people, how it could cause significant harm to the economy because it would not allow us to follow policies which would avoid bringing economic slowdown into recession and recession into depression.

Mr. President, I yield the floor.

EXHIBIT 1

[From the Washington Post, Feb. 7, 1995]

IT'S A RECIPE FOR ECONOMIC CHAOS

(By Laura D'Andrea Tyson)

Continued progress on reducing the deficit is sound economic policy, but a constitutional amendment requiring annual balance of the federal budget is not. The fallacy in the logic behind the balanced budget amendment begins with the premise that the size of the federal deficit is the result of conscious policy decisions. This is only partly the case. The pace of economic activity also plays an important role in determining the deficit. An economic slowdown automatically depresses tax revenues and increases government spending on such programs as unemployment compensation, food stamps and welfare.

Such temporary increases in the deficit act as ''automatic stabilizers,'' offsetting some of the reduction in the purchasing power of the private sector and cushioning the economy's slide. Moreover, they do so quickly and automatically, without the need for lengthy debates about the state of the economy and the appropriate policy response.

By the same token, when the economy strengthens again, the automatic stabilizers work in the other direction: tax revenues rise, spending for unemployment benefits and other social safety net programs falls, and the deficit narrows.

A balanced budget amendment would throw the automatic stabilizers into reverse. Congress would be required to raise tax rates or cut spending programs in the face of a recession to counteract temporary increases in the deficit. Rather than moderating the normal ups and downs of the business cycle, fiscal policy would be required to aggravate them.

A simple example from recent economic history should serve as a cautionary tale. In fiscal year 1991, the economy's unanticipated slowdown caused actual government spending for unemployment insurance and related items to exceed the budgeted amount by $6 billion, and actual revenues to fall short of the budgeted amount by some $67 billion. In a balanced-budget world, Congress would have been required to offset the resulting shift of more than $70 billion in the deficit by a combination of tax hikes and spending cuts that by themselves would have sharply worsened the economic downturn—resulting in an additional loss of 1¼ percent of GDP and 750,000 jobs.

The version of the amendment passed by the House has no special ''escape clause'' for recessions—only the general provision that the budget could be in deficit if three-fifths of both the House and Senate agree. This is a far cry from an automatic stabilizer. It is easy to imagine a well-organized minority in either House of Congress holding this provision hostage to its particular political agenda.

In a balanced-budget world—with fiscal policy enjoined to destabilize rather than stabilize the economy—all responsibility for counteracting the economic effects of the business cycle would be placed at the doorstep of the Federal Reserve. The Fed could attempt to meet this increased responsibility by pushing interest rates down more aggressively when the economy softens and raising them more vigorously when it strengthens. But there are several reasons why the Fed would not be able to moderate the ups and downs of the business cycle on its own as well as it can with the help of the automatic fiscal stabilizers.

First, monetary policy affects the economy indirectly and with notoriously long lags, making it difficult to time the desired effects with precision. By contrast, the automatic stabilizers of fiscal policy swing into action as soon as the economy begins to slow, often well before the Federal Reserve even recognizes the need for compensating action.

Second, the Fed could become handcuffed in the event of a major recession—its scope for action limited by the fact that it an push short-term interest rates no lower than zero, and probably not even that low. By historical standards, the spread between today's short rates of 6 percent and zero leaves uncomfortably little room for maneuver. Between the middle of 1990 and the end of 1992, the Fed reduced the short-term interest rate it controls by a cumulative total of 5¼ percentage points. Even so, the economy sank into a recession from which it has only recently fully recovered—a recession whose severity was moderated by the very automatic stabilizers of fiscal policy the balanced budget amendment would destroy.

Third, the more aggressive actions requires of the Fed to limit the increase in the variability of output and employment could actually increase the volatility of financial markets—an ironic possibility, given that many of the amendment's proponents may well believe they are promoting financial stability.

Finally, a balanced budget amendment would create an automatic and undesirable link between interest rates and fiscal policy.

An unanticipated increase in interest rates would boost federal interest expense and thus the deficit. The balanced budget amendment under consideration would require that such an unanticipated increase in the deficit be offset within the fiscal year!

In other words, independent monetary policy decisions by the Federal Reserve would require immediate and painful budgetary adjustments. Where would they come from? Not from interest payments and not, with such short notice, from entitlement programs. Rather they would have to come from either a tax increase or from cuts or possible shutdowns in discretionary programs whose funds had not yet been obligated. This is not a sensible way to establish budgetary priorities or maintain the healthy interaction and independence of monetary and fiscal policy.

One of the great discoveries of modern economics is the role that fiscal policy can play in moderating the business cycle. Few if any members of the Senate about to vote on a balanced budget amendment experienced the tragic human costs of the Great Depression, costs made more severe by President Herbert Hoover's well-intentioned but misguided efforts to balance the budget. Unfortunately, the huge deficits inherited from the last decade of fiscal profligacy have rendered discretionary changes in fiscal policy in response to the business cycle all but impossible. Now many of those responsible for the massive run-up in debt during the 1980s are leading the charge to eliminate the automatic stabilizers as well by voting for a balanced budget amendment.

Instead of undermining the government's ability to moderate the economy's cyclical fluctuations by passing such an amendment, why not simply make the hard choices and cast the courageous votes required to reduce the deficit—the kind of hard choices and courageous votes delivered by members of the 103rd Congress when they passed the administration's $505 billion deficit reduction package?

EXHIBIT 2

HIGH COST OF A BALANCED BUDGET AMENDMENT

(By Richard Kogan)

Advocates of the Balanced Budget Amendment to the Constitution do not intend to jeopardize the life savings of America's families or threaten the stability of the nation's banks. As written, however, the amendment could do just that.

Currently, America's savings are safe. The Federal Deposit Insurance Corp. (FDIC) guarantees individual deposits in banks and thrift institutions up to $100,000 per account. Depositors rely on the U.S. government to keep its word, quickly and automatically; if a bank goes broke, the government makes good on deposits. Deposit insurance claims are enforceable in court.

Now look at the Balanced Budget Amendment. It begins, ''Total outlays for any fiscal year shall not exceed total receipts for that fiscal year, unless three-fifths of the whole number of each House of Congress shall provide by law for a specific excess of outlays over receipts by a roll-call vote.'' This deceptively simple concept—that the federal budget must be balanced each year—would inadvertently cast doubt over the ''full faith and credit'' of the U.S. government, putting all federal guarantees, including deposit insurance, at risk.

Here's why. During a severe economic downturn, the risk of bank failure is greatest. An economic downturn also produces (or exacerbates) federal budget deficits, as tax revenues decline and spending for programs such as unemployment compensation increases. At such a time, the government would lack the extra revenues it could need to cover the large costs of rescuing depositors and the banking system. Under current law, deposit insurance claims are automatically paid as needed, regardless of the deficit. Under the amendment, if deposit insurance payments would cause a deficit, might not those payments be prohibited? Don't forget that the measure would amend the Constitution, while deposit insurance and other such guarantees are only statutes.

American banking was not always protected. The Great Depression was so steep—the economy shrank almost 30 percent from 1929 to 1933—in part because there was no deposit insurance. Some lost all their savings. A rumor that a bank was in trouble prompted panic, with depositors rushing to withdraw their savings. Even false rumors caused banks to collapse.

One of President Roosevelt's first acts was to close the banks while Congress enacted deposit insurance. The banks reopened, citizens could redeposit their funds in safety and the economic collapse ended. Deposit insurance became the first and best economic stabilizer. It is one reason that no post-war recession has shrunk the economy more than 3½ percent.

Doesn't the FDIC charge annual fees to banks, building up large balances, which would automatically be available in a banking crisis?

Not after the amendment. It prohibits spending borrowed funds, Incredibly, it also prohibits using accumulated savings; it requires that all federal spending in any fiscal year be covered by that year's revenues. This requirement is like telling a family to finance a new house or a child's college tuition out of that year's wages, no matter how much money the family has in the bank. In this case, the amendment precludes a sudden increase in deposit insurance payments if that increase would cause federal spending to exceed federal revenues in that year, no matter how much the FDIC has ''in the bank.''

There are two possible ways out. First, Congress could raise taxes or cut other spending by enough to offset deposit insurance costs. But the potential size of those payments shows why they could not be easily offset. The recent restructuring of the savings and loan industry required deposit insurance payments of $156 billion over four years, $66 billion in 1991 alone. And the government's deposit insurance guarantee covers private savings of $2.7 trillion. These amounts are too large to be offset by a single year's tax increases or spending cuts.

Second, there is the escape hatch. By a three-fifths vote, Congress could choose to pay deposit insurance and allow deficit spending. But it is hardly automatic that Congress would respond in a timely manner (or at all), even in a pending crisis. In August 1941 Congress barely mustered a majority to extend the draft, even though Hitler had already marched across half of Europe. In the current debate, neither the Senate nor the House could find a majority to write into the amendment an exception for recessions. Finding three-fifths majorities in each House of Congress is significantly more difficult. By the time Congress fully understands the scope of a developing banking crisis and gathers the three-fifths vote (if it can), the problem would have grown, perhaps to a dangerous degree.

Taking the amendment at face value, then, legal commitments made by the U.S. government would no longer be binding. When economic troubles arose and the banking system, depositors and the economy as whole most needed it, those ''commitments'' could prove ephemeral.

EXHIBIT 3

UNBALANCED AMENDMENT

Tomorrow's vote in the Senate on the balanced-budget amendment is crucial for the Republican agenda to chop Government programs into bits. The outcome is also crucial to the nation because the pernicious amendment would do enormous fiscal damage. Proponents are alarmingly within three votes of winning.

The core of the amendment would require the Government to balance its books unless three-fifths of the House and Senate vote to run a deficit. To the wavering Democrats—John Breaux of Louisiana, Sam Nunn of Georgia, Wendell Ford of Kentucky, and Kent Conrad and Byron Dorgan of North Dakota—here are five unassailable reasons to vote no.

Unnecessary.—Federal deficits have indeed been too high. That poses a threat that borrowing will siphon savings away from productive private investments.

But the fact that borrowing must be contained does not imply it ought to be eliminated—any more than family borrowing, to buy a house or pay college tuition, need be eliminated. A prudent rule would keep Federal debt growing less quickly than incomes. This rule would justify deficits of about $200 billion a year, close to current levels.

Misleading.—Proponents claim the amendment would protect future generations against ruinous interest payments. True, today's children will owe taxes when they grow up to pay interest on Federal debt. But proponents ignore the fact that the tax payments will flow right back to these children as owners of Government bonds.

Unenforceable.—Because key terms of the amendment—like outlays and receipts—are undefined, Congress will be able to manipulate and evade. Can Congress create independent agencies or find other ways to spend and borrow off the Government books? A Senate committee has already written into the legislative record, used to guide future court decisions, that the Tennessee Valley Authority would be exempt from the amendment. It should take lawyers five minutes to stretch whatever ''principle'' guides that exception to scores of other Government programs.

The amendment also fails to provide an enforcement mechanism. It might simply become an empty gesture or, worse yet, the courts might step in to tell Congress how much it should tax and where it should spend.

Irrational.—Federal bookkeeping lumps ordinary spending with long-term public investments. Congress, forced by the amendment to cut quickly, would go after hugely expensive, though vitally important, investments, such as scientific research, costly laboratories and equipment, job training or other investments that would not produce benefits for years, if not decades.

Reckless.—When the economy slows, tax revenues fall off and spending on unemployment insurance and food stamps rises. This automatic rise in the deficit, by triggering spending, serves to mitigate the slowdown. But under the proposed amendment, Congress could easily turn a mild downturn into something worse. Unless a three-fifths supermajority saves the day, Congress would have to raise taxes and cut spending in a slow economy—the opposite of responsible stewardship.

Take another unintended consequence. When savings and loans went bankrupt during the 1980's, the Federal Government bailed out depositors with borrowed money, thereby preventing a banking panic. But

under the proposed amendment, the Government could not react instantly unless a supermajority in Congress approved.

The balanced-budget amendment appeals to taxpayers who demand that the Government spend their money wisely. But Senators Nunn, Ford, Conrad, Dorgan and Breaux need to recognize that this honorable sentiment cannot be wisely embedded into the Constitution.

Mr. HATCH. Mr. President, critics or outright opponents of the balanced budget amendment have made the point that one reason we should not have a balanced budget rule is because of how the business cycle and the so-called automatic stabilizers work. The basic idea is that in recessions, revenues decrease and outlays—such as welfare payments—increase. Critics say that economic fluctuations are as inevitable as the tides and hence so is a cycle of deficits, therefore, commanding budget balance is like ordering the tides to retreat.

The notion that ordering budget balance is like commanding the tides to retreat is absurd. It is like saying it is impossible to stop using your credit cards. The truth is that taxing and spending decisions are volitional, notwithstanding decades of bad habits.

Economic fluctuations which result in changes in revenue or outlay projections are not an argument against balance, but could an argument for surplus contingency funds. It is decidedly not an argument for maintaining large structural deficits. A family saves for a rainy day, they do not keep their credit cards ''maxed out''—in good times and bad—and then tell the credit company that economic fluctuations are as inevitable as the tides so how about another few thousand on the credit limit.

The balanced budget amendment in no way prevents us from running a small surplus, which could be used to offset the effects of an economic downturn. In fact, Fred Bergston, a noted economist and former Treasury Department official, suggests we create a habit of saving for rainy days, which will allow us to use fiscal policy within the balanced budget rule better than we can now without it.

The argument made by the Senator from Maryland seems to be a distorted version of Keynsianism, and it is not clear that it would work to stimulate our current economy. In fact, our recent history seems to refute such an expectation. In the early 1990's, we had record deficits and zero or low growth for 3 years. The experience of the late Bush, early Clinton, years was the experience of the Carter years, namely high deficits and recession. This sort of stimulus mechanism obviously does not work very well. Additionally, Mr. President, President Clinton's response to the recession of the early 1990's was to send a budget with tax increases and spending cuts. This was supported by the Senator from Maryland. Why was this plan appropriate in 1993 but apparently no other time?

Moreover, we have been running deficits for three decades. Have we been in recession for three decades? Have we avoided the business cycle for three decades? No. We have had numerous business cycles since 1969 but have only balanced the budget once. If critics are right, we should have had a cycle of deficits and surpluses. Far from cycling, the debt is on a steady increase. The debt is growing at a fantastic rate: it is now over $4.8 billion and is projected to exceed $6 trillion in only 3 years. The correlation between deficits and prosperity is far from clear, based on our history.

I have other questions about this argument. At the level we are now spending, about $1.5 trillion each year, just how big of a deficit would we have to run to stimulate the economy? We already have our foot to the floor on the debt accelerator—we cannot seriously argue that pushing our debts further will be helpful. Talk about inflexible fiscal policy. Our debt and yearly deficits are so large there just is not any clear room to move further. We would have more flexible fiscal policy if we got our deficits under control.

Mr. President, the principle of a rule of balanced budgets is unassailable, and should be violated only when absolutely necessary.

MORNING BUSINESS

SUPPORTING THE CONFIRMATION OF THE NOMINEES TO THE BASE CLOSURE AND REALIGNMENT COMMISSION

Mr. THURMOND. Mr. President, I will not take much of the Senate's time to express my support for the confirmation of Mrs. Cox, General Davis, Admiral Montoya, Mr. Kling, Mr. Cornella, and Mrs. Steele to be members of the Base Closure and Realignment Commission.

Despite the dismal performance by the White House when it submitted these nominations, the Armed Services Committee resolved all outstanding issues concerning individual nominees. I should add that these issues were, for the most part, related to whether or not an individual should recuse himself or herself from deliberating on a particular base. After considerable discussion and individual interviews, these concerns were alleviated and the committee recommended that the Senate confirm the nominees.

We now face a crucial decision. Tomorrow, as required by law, the Secretary of Defense will release his recommended list of bases for closure. Whether or not the Senate confirms the Base Closure Commissioners has no impact on the release of the list. However, it does impact on the deliberative process which will proceed since we have a Commission chairman. The question that every Senator who wants to delay the confirmation process should be asking is: Do we allow the chairman of the Base Closure and Realignment Commission, Senator Alan Dixon, to solely conduct the evaluations of the Secretary's list, or do we provide him with the assistance of these six Commissioners?

I have no doubt that despite the abilities of Alan Dixon, he and the Senate would rather see a group of individuals make decisions on the future of the Nation's military bases and our local economies. Therefore, I urge the Senate to confirm these nominations and let the 1995 Base Closure Commission proceed with its work.

CONFIRMATION OF AL CORNELLA

Mr. PRESSLER. Mr. President, I rise today to express my strong support for the nomination of Al Cornella to be a member of the 1995 Defense Base Closure and Realignment Commission.

This Commission was created by Congress in 1990 with the intention it would be an independent, nonpartisan decision-making body. I can assure my colleagues, Al Cornella is a man of the highest integrity. He will be fair in his deliberations and recommendations. During his opening statement before the Senate Armed Services Committee, Al committed himself to conducting his deliberations in a fair and impartial manner. Al Cornella is a man who keeps his word. The law requires the Commission to make recommendations based on specific criteria, ranging from military readiness to fiscal cost. Al Cornella's deliberations will be fully consistent with the law.

Mr. President, I am confident in Al's character and trust his judgment. Al Cornella exemplifies the American spirit of community involvement. He is one of South Dakota's very best. Currently, Al is a small business owner in Rapid City, SD, and has served as chairman of the board of the Rapid City Area Chamber of Commerce.

In addition to his civic involvement, Al has a strong interest in and knowledge of military issues. He served in the U.S. Navy during the Vietnam conflict. Being a Vietnam veteran myself as a lieutenant in the U.S. Army, I strongly believe his commitment to duty and country should not go unnoticed. For many years, Al served as a key leader in issues concerning military affairs in the Rapid City Chamber of Commerce. For the past 3 years, Al has served as a member of my Service Academy Advisory Board, evaluating applicants seeking admission to our three military academies.

Again, Mr. President, Al Cornella is a man of integrity. I urge my colleagues to support his confirmation. Al Cornella has distinguished himself in every endeavor in his life. He will do so again as a member of the Defense Base Closure and Realignment Commission.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Thomas, one of his secretaries.