We know the program will work because 35 States and the District of Columbia already have enterprise zones that have produced over 663,000 new jobs and $40 billion in capital investment. And the concept has been endorsed by the National Governors' Association, the Conference of Black Mayors, the Council of Black State Legislators and the U.S. Conference of Mayors.

Taken together, these incentives for investment, entrepreneurship, home ownership and skill development will bring the economies in distressed areas back to life. They will encourage full participation in our market economy and public interest in the local neighborhood. The result will be economic growth and, more important, new jobs.

It is my hope that a positive vote on this resolution will put this Senate on record in favor of creating jobs and opportunity. The sense-of-the-Senate resolution I, with Senator LIEBERMAN, am proposing will in my view spur us to enact legislation to strengthen enterprise zones. In this way it will increase the chances for people in distressed areas to get off of welfare and into decent jobs. Strengthened enterprise zones will add to the hopes of our people, the vitality of our cities and the proper functioning of our economy.

I urge your support for this resolution.

Mr. President, I ask unanimous consent that an excellent article on the Abraham-Lieberman enterprise zone bill by Mr. Stuart Anderson of the Alexis de Tacqueville Institution appear in the RECORD following my remarks.

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

[From the Connecticut Post, Sept. 10, 1995]

LIEBERMAN BILL TAKES RIGHT APPROACH TO HELPING OUR CITIES

(By Stuart Anderson)

''Poverty is the open-mouthed, relentless hell which yawns beneath civilized society.'' Henry George wrote these words in 1879 and they remain true today. Unfortunately, many of the techniques we have tried to alleviate suffering and break the cycle of poverty have fallen far short of their goals. These programs—the core of the Great Society—not only have failed to revitalize cities, they have likely made the situation worse.

A new, more comprehensive approach is needed to renew the blighted portions of America's cities. Past programs have relied on cash payments to the poor, government job training, and even government-provided jobs. The key, however, is to create wealth in the inner city, and to understand that wealth cannot be created by government but only by the private sector.

This understanding of wealth creation is at the core of a promising new bill introduced by Connecticut U.S. Sen. Joseph I. Lieberman and Sen. Spencer Abraham, R-Mich. The Enhanced Enterprise Zone Act of 1995 would establish a host of incentives and reforms that would be added to those Congress approved in the nine Empowerment Zones and 95 Enterprise Communities in 1993. That legislation got bogged down in details and without reform cannot achieve the goals that so many of us have for improving life in the inner cities.

The reforms in Abraham and Lieberman's bill fall into three categories: tax incentives, regulatory reform and educational initiatives.

First, on tax incentives, the bill would establish a zero capital gains rate on the sale of any qualified investment held five years or longer in the zone. It would allow additional income deductions to purchase qualified stock in companies located in an enterprise zone. The bill would double what small business owners in these zones could expense and would provide a limited tax credit for renovations of low-income properties. These are the types of incentives to encourage entrepreneurs to plant roots for the long haul.

Second, the senators realize that regulations, not just high tax burdens, inhibit job creation in the inner city. The bill would allow local governments to request waivers and modifications of environmental and other regulations that a mayor finds to be counterproductive and hindering job growth. Federal agencies could disapprove requests at their discretion but powerful political pressure could be brought to bear on the bureaucracy that might create fascinating experiments at the local level. Another reform of federal regulations, based upon Jack Kemp from his stay at the federal Department of Housing and Urban Development, would provide both incentives and grants for homeownership and resident management of public housing, vacant and foreclosed properties, and financially-distressed properties.

Third, the bill recognizes that lack of educational opportunity can subject children to a life without a real economic future. The legislation therefore would create in the nine Empowerment Zones, two supplemental empowerment zones, and in Washington, D.C., a pilot school choice program. This would allow parents with a low income to send their children to public or private schools of their choosing. Such parents would receive a certificate that could be used to pay a portion of tuition and transportation costs for elementary and high school children.

Already the debate over affirmative action has grown divisive, especially because many African-Americans believe that what few opportunities are available in the inner cities will be snatched away from them by changed federal policies or new court rulings. But as the Democratic Leadership Council's Progressive Policy Institute report on affirmative action notes, ''For blacks trapped at the bottom of the economic pyramid, the main obstacle is not vestigial discrimination but the breakdown of critical social and public institutions, chiefly family and schools. Can anyone doubt that dramatically lifting their academic and occupational skills would have a greater impact on their life prospects than maintaining preferences that mostly benefit middle-class blacks, Hispanics, and women?

Let's get beyond the divisiveness of affirmative action, which courts are already ruling to be unconstitutional. Instead, we should look toward constructive solutions that are more appropriately premised on a commitment to limited government, personal responsibility, and a free market economy. The tax incentives, regulatory reform, and school choice initiatives in the Abraham-Lieberman bill will help unleash the power of countless individuals. And while in the past we have ignored this truism at our peril, it should be remembered that only individuals and businesses, not governments, can create the wealth that will lift people out of poverty.

Mr. LIEBERMAN. Mr. President, I am pleased to join with the Senator from Michigan in proposing this important statement of Senate support for an enhanced enterprise zone effort.

From the time I came to the Senate in 1989, I have been proud to work with people like Jack Kemp in advocating enterprise zones for America's troubled neighborhoods. He has been a true visionary, not only on the subject of enterprise zones, but on the whole question of what America must do to redeem the promise of economic opportunity for all Americans.

We made progress on the road toward empowering poor Americans and revitalizing impoverished communities in 1993 when we passed legislation creating empowerment zones and enterprise communities in more than 100 neighborhoods across this country. While a handful of empowerment zones received fairly substantial incentives through the 1993 legislation the enterprise zones received very little in the way of incentives. Still, when all is said and done, enactment of this legislation was a fundamental change in urban policy. It was a recognition that Government did not have all the answers to the ills of poverty in this country. It recognized that American businesses can and must play a role in revitalizing poor neighborhoods. Indeed, American business involvement is essential if we are to break the cycle of poverty, drug abuse, illiteracy, and unemployment.

The 1993 breakthrough was a good start but it did not go far enough. That is why I have joined with the Senator from Michigan in announcing an Enhanced Enterprise Zone Act of 1995. The sense-of-the-Senate we are considering today recognizes the need for this Senate to consider an enhanced enterprise zone package.

I urge my colleagues to support this amendment.

MORNING BUSINESS

Mrs. HUTCHISON. I ask unanimous consent that there now be a period for the transaction of morning business with Senators permitted to speak for up to 5 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

TREATMENT OF MUNICIPAL BONDS UNDER S. 722, THE UNLIMITED SAVINGS ALLOWANCE TAX ACT

Mr. DOMENICI. Mr. President, I have noted in recent weeks commentary from some analysts and in some publications that the proposals for treatment of municipal bond interest in the USA tax plan which I have coauthored with Senator NUNN would possibly, severely penalize participants in the municipal bond market. As I have explicitly stated before, it is not, repeat not, the intention of this Senator that participants in the municipal bond markets—whether investors, issuers, or other people—be penalized by the USA tax concept.

In my judgment, the questions raised by analysts about reducing the savings deduction by the amount of tax-exempt income can be resolved when the actual writing of tax reform legislation occurs in the future. It is my intention during those deliberations to make sure that municipal bonds retain a preference.

It is important to recognize that if the USA tax plan were to be enacted it would include significant incentives for savings and investment—the unlimited savings allowance—which defers Federal income taxes on any income saved or invested. As individuals change their behavior to save and invest more, the national savings pool will increase. In addition, the USA tax removes the bias for companies to use debt financing instead of equity financing. More companies may choose equity financing. These changes in the business Tax Code may lower the demand for borrowing. Increasing the savings pool will lower interest rates and the cost of capital. Lower interest rates will benefit all Americans who have to borrow. Since States and municipalities are big borrowers because they issue large quantities of bonds, lower interest rates should significantly benefit them, separate and apart from the specific USA tax provisions dealing with the tax treatment of municipal bonds.

I hope that this statement clarifies matters for participants in the municipal bond market who may fear that either the USA tax plan would penalize them, or will make issuance of municipal bonds for legitimate governmental purpose more expensive in the future. Neither of those outcomes is the intent of this Senator and I will do all I can to insure that neither occurs.

Mr. NUNN. Mr. President, I would like join my good friend from New Mexico in trying to alleviate the fears of those concerned about the USA tax proposal's treatment of municipal bonds. In crafting our proposal, we explicitly elected to retain a preference for investments in municipal bonds, and we did so primarily to preserve the ability of State and local governments to obtain capital for needed infrastructure improvements. It was never our intention to undermine our country's municipal bond market.

As Senator DOMENICI pointed out, some analysts believe the manner in which our proposal is crafted could erode substantially the current tax preference for municipal bond investments. Others, including an editorial at the Bond buyer, take a much more optimistic view and equate our proposal as being far too generous in its treatment of municipal bonds. I believe the truth falls somewhere in between these two analyses.

In the USA proposal, we have essentially equalized the tax treatment of all investments, including those investments in municipal bonds. All investments under the USA proposal are tax-deferred. However, the USA proposal makes an important distinction about the tax treatment of the returns from these investments. The returns from investments other than municipal bonds would not be tax exempt unless the returns are reinvested in their entirety. On the other hand, returns from municipal bonds would be tax exempt and could be spent or reinvested without future income tax consequences. I believe this is an equitable outcome regarding the tax treatment of municipal bonds. If another approach, consistent with the overall goals of the USA proposal, especially revenue neutrality, can be found in this area, I am more than willing to consider such proposals.

Mr. President, before yielding the floor, I would like to raise a final point. I find it very interesting about the absence of any concern about the elimination of any, I repeat any, preference for municipal bonds under either the flat tax or the national sales tax proposals. I do not mind the criticism of our proposal. Constructive criticism is useful and can work to improve our proposal, but it would be refreshing to have an informed, factual comparison of all the tax replacement proposals and their tax treatment of municipal bonds, rather than a Chicken Little approach often evident today.

MATCHING AWARDS FOR EDUCATION GRANTS TO AMERICORPS GRADUATES

Mr. PELL. Mr. President, I want to share with my colleagues an extremely exciting and momentous development in regard to the AmeriCorps Program. Today, eight of Rhode Island's colleges and universities are announcing that they have each agreed to match the $4,725 education grant for every Rhode Island AmeriCorps participant who successfully completes AmeriCorps service and attends one of the participating Rhode Island institutions. As a result of this commitment, the education benefit for successful AmeriCorps participation will be at least $9,450.

As one of the first proponents of national service and of linking successful completion of service to an education benefit, I believe this is a remarkable and praiseworthy commitment to the concept of community service.

I take special pride in commending each of those institutions for this superb commitment. They include: the University of Rhode Island, the Community College of Rhode Island, Brown University, Bryant College, Johnson and Wales University, Salve Regina University, the Rhode Island School of Design, and Providence College. I might add that several other institutions in Rhode Island are currently exploring this idea, and the number may well grow.

I also want to pay special tribute to Mr. Lawrence Fish, chief executive officer of Citizens Financial Group in Providence, RI, who, as chair of the Rhode Island Commission on National Service, spearheaded the effort that resulted in this truly historic achievement.

FEDERAL EXPRESS HUB AT SUBIC BAY

Mr. PRESSLER. Mr. President, I rise today to congratulate Federal Express Corp. on the opening last week of its new cargo hub at Subic Bay in the Philippines. This is a very favorable development for consumers of shipping services on both sides of the Pacific.

As many will remember, Federal Express had intended that its Subic Bay hub be fully operational in July. Unfortunately, even though the United States/Japan bilateral aviation agreement clearly authorized Federal Express to do so, the Government of Japan refused to permit Federal Express to operate several flights from Japan which were integral to its hub operation. In late July, Japan reversed its position and thereby enabled the Subic Bay hub, the cornerstone of Federal Express' intra-Asian network, to become fully operational.

As a result of the Subic Bay hub operation, consumers will be able to rely on expanded intra-Asian and trans-Pacific service. However, consumer choice will not be the only benefit. A recent article from the Journal of Commerce predicts this expanded service will come at a reduced cost to consumers. One economist estimates the price of intra-Asian shipping may drop by as much as 25 percent as a result of competition from Federal Express' intra-Asian network. I am confident the Federal Express experience in Subic Bay will again prove U.S. air carriers can compete effectively in any international market they have a chance to serve.

With respect to the widespread benefits of the Subic Bay hub, the Journal of Commerce article points out a very interesting irony. By violating the United States/Japan bilateral aviation agreement, the Government of Japan tried to prevent the Subic Bay hub from opening. Yet, Japanese companies are among the first flocking to the Subic Bay area to set up operations so they can benefit from Federal Express' superior air delivery services. For example, the Japan International Development Organization is planning a 450-acre industrial park in the area which will serve as a research and manufacturing center for 10 Japanese companies.

I ask unanimous consent that the article from the Journal of Commerce to which I have referred be printed in the RECORD at the end of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. PRESSLER. Mr. President, on several occasions during the pendency of the United States/Japan cargo aviation dispute I cautioned that the economic stakes in that dispute were very