Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. DOMENICI. Parliamentary inquiry, Mr. President. Are we in morning business?

The PRESIDING OFFICER. We are in morning business. Senators are authorized to speak up to 5 minutes.

Mr. DOMENICI. I ask unanimous consent that I be permitted to proceed for up to 7 minutes.

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

TAXES AND THE BUDGET

Mr. DOMENICI. Mr. President, I hope my friend from Arizona, if he is not terribly busy, can be with me on the floor for a moment.

I have three issues to address. Let me take the first one. I regret over the weekend in talking about the President's statement that he made in Houston that he thought he raised the taxes too much and that it was because of Congress, in particular I assume his party and our party, the Republican Party, that he raised taxes this much, implying that if somehow or another there would have been more help up here, he would have raised less taxes.

Let me make it absolutely clear, the President of the United States asked for more taxes than he got. Let me state that again. He sent us a budget and he ultimately got a tax increase and not a single Republican voted for that tax increase. But let me review what the President had done prior to that. He sent a budget to the Congress stating his master plan. What was in the master plan in terms of tax increases?

I have the number now. It is $360 billion. Remember, he had a Btu tax in it, an energy tax. Some of his own Members, such as then Senator Boren and others, said that will never fly. The ultimate tax increase was $270 billion. Over the weekend, the numbers were bantered around, but this is the right number. So essentially he asked us, if my arithmetic is right, for $90 billion more than he got.

What does that mean? That means that it was not Congress that forced him to get these big tax increases, it was the President's own plan. So what really happened was that he was asking for more tax increases than his Democratic supporters ended up giving him.

Is that not a shame that he would imply that it was the Democratic Senators and Congressmen who forced him to raise taxes so much? I will get this together in a memo with all of the number spread and put it into the RECORD. I trust my staff implicitly, and I now recall the Btu tax. So I say to my friend, Senator KYL from Arizona, over the weekend we heard an incredible change of mind by the President—a flip-flop or whatever you want to call it. The President was up here asking, in 1993, for $360 billion in tax increases. He gets only $270 billion from the Congress, and he suggests if he would have had more cooperation from the Congress, he would not have raised taxes so much.

Mr. KYL. Will the Senator yield?

Mr. DOMENICI. Yes.

Mr. KYL. Mr. President, I was in the House of Representatives when this was proposed. I remember a lot of my Democratic colleagues who were not happy about supporting a Btu tax. The Senator from New Mexico will recall that the House Members ended up supporting that budget with the request for tax increases, including the Btu tax increase. Of course, the Senator from Arizona, then a Member of the House, and most of the other Republicans voted against the Btu tax increase, but most of the Democrats voted for it. I know they were greatly distressed when the Senate then turned it down and, in effect, were critical of the President for making them walk the plank when there was never really a chance that that tax would be imposed at the end of the day.

I agree with the Senator from New Mexico that it is unfortunate to cast the blame on the Congress, including a lot of good Democrat Members of Congress, who did not want to increase taxes as much as the President, and certainly the Republican Members of the Congress. The President, therefore, was pointing the finger in the wrong direction when he alleged that it was the Congress that made him do it. It is like that old comedian that said, ''The devil made me do it.'' It was really the President himself who offered the tax increase to the American people.

Mr. DOMENICI. The Senator, in rebuttal of statements by Senators KENT CONRAD and BYRON DORGAN, referred to whether we have a balanced budget or not. Let me make sure the American people understand. See this nice certificate with the red ribbons? It says, ''certified balanced budget.'' What is that about? What is this? This is the budget for fiscal year 1996, the concurrent resolution that was passed and now implemented by the bill we are talking about, called reconciliation.

What is this ''certified balanced budget''? The Director of the Congressional Budget Office, Dr. June O'Neill, who is charged by almost everyone that knows anything about our fiscal problems with being in charge of an agency that we ought to believe because they are neutral, they belong to no one, they are funded by us, and they work independently for both the President and the Congress.

Why do I know that? Well, I know it because I have been working with them for 20 years. But the President told us that. He told us 2 years ago in his State of the Union Address, and I paraphrase: If you do not want to be accused of smoke and mirrors and if you want to be conservative so you are more apt to come out right, in terms of assumptions, let us all agree to use the Congressional Budget Office.

That is how important they are. They wrote us an analysis of the Senate's reconciliation bill—the one coming up soon—along with the budget resolution. What did they tell us? They said, ''We certify that you have a balanced budget.''

How could it be that the Congressional Budget Office is telling America the Republicans' 7-year plan gets to balance, and we have the Senators coming to the floor saying it is not in balance? It is interesting. If it is not in balance and we ought to do it another way, maybe we ought to hear their plan for cutting even more, which is apparently the proposal. If you do not want ours, you ought to cut more, so you get the proposal they are advocating.

I will tell you why they are doing it. I am not going to say this myself. I am going to read from a column by Charles Krauthammer from about 3 months ago. I will read one paragraph:

> In my 17 years in Washington, this is the single most fraudulent argument I have heard. I don't mean politically fraudulent, which is routine in Washington and a judgment call anyway. I mean logically, demonstrably, mathematically fraudulent, a condition rare even in Washington and not a judgment call at all.

I ask unanimous consent that this column 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]

SOCIAL SECURITY 'TRUST FUND' WHOPPER

(By Charles Krauthammer)

Last week, Sens. Kent Conrad and Byron Dorgan managed to (1) kill the balanced budget amendment, (2) deal Republicans their first big defeat since November and (3) make Democrats the heroes of Social Security. A hat trick. How did they do it? By demanding that any balanced budget amendment ''take Social Security off the table''—i.e., not count the current Social Security surplus in calculating the deficit—and thus stop ''looting'' the Social Security trust fund.

In my 17 years in Washington, this is the single most fraudulent argument I have heard. I don't mean politically fraudulent, which is routine in Washington and a judgment call anyway. I mean logically, demonstrably, mathematically fraudulent, a condition rare even in Washington and not a judgment call at all. Consider:

In 1994 Smith runs up a credit card bill of $100,000. Worried about his retirement, however, he puts his $25,000 salary into a retirement account.

Come Dec. 31, Smith has two choices: (a) He can borrow $75,000 from the bank and ''loot'' his retirement account to pay off the rest—which Conrad-Dorgan say is unconscionable. Or (b) he can borrow the full $100,000 to pay off his credit card bill and keep the $25,000 retirement account sacrosanct—which Conrad-Dorgan say is just swell and maintains a sacred trust and staves off the wolves and would have let them vote for the balanced budget amendment if only those senior-bashing Republicans had just done it their way.

But a child can see that courses (a) and (b) are identical. Either way, Smith is net $75,000 in debt. The trust money in (b) is a fiction: It consists of 25,000 additionally borrowed dollars. His retirement is exactly as insecure one way or the other. Either way, if he wants to pay himself a pension when he

retires, he is going to have to borrow the money.

According to Conrad-Dorgan, however, unless he declares his debt to be $100,000 rather than $75,000, he has looted his retirement account. But it matters not a whit what Smith declares his debt to be. It is not his declaration that is looting his retirement. It is his borrowing (and over-spending).

Similarly for the federal government. In fiscal 1994, President Clinton crowed that he had reduced the federal deficit to $200 billion. In fact, what Conrad calls the ''operating budget'' was about $250 billion in deficit, but the Treasury counted the year's roughly $50 billion Social Security surplus to make its books read $200 billion. According to Conrad-Dorgan logic, President Clinton ''looted'' the Social Security trust fund to the tune of $50 billion.

Did he? Of course not. If Clinton had declared the deficit to be $250 billion and not ''borrowed'' $50 billion Social Security surplus—which is nothing more than the federal government moving money from its left pocket to its right—would that have made an iota of difference to the status of our debt or of Social Security?

Whether or not you figure Social Security in calculating the federal deficit is merely an accounting device. Government cannot stash the Social Security surplus in a sock. As long as the federal deficit exceeds the Social Security surplus—that is, for the foreseeable forever—we are increasing our net debt and making it harder to pay out Social Security (and everything else government does) in the future.

Why? Because the Social Security trust fund—like Smith's retirement account—is a fiction. The Social Security system is pay-as-you-go. The benefits going to old folks today do not come out of a huge vault stuffed with dollar bills on some South Pacific island. Current retirees get paid from the payroll taxes of current workers.

With so many boomers working today, pay-as-you-go produces a cash surplus. That cash does not go into a Pacific island vault either. In a government that runs a deficit, it cannot be saved at all—any more than Smith can really ''save'' his $25,000 when he is running a $100,000 deficit. The surplus necessarily is used to help pay for current government operations.

And pay-as-you-go will be true around the year 2015, when we boomers begin to retire. The chances of our Social Security benefits being paid out then will depend on the productivity of the economy at the time, which in turn will depend heavily on the drag on the economy exerted by the net debt that we will have accumulated by then.

The best guarantee, in other words, that there will be Social Security benefits available then is to reduce the deficit now. Yet by killing the balanced budget amendment, Conrad-Dorgan destroyed the very mechanism that would force that to happen. The one real effect, therefore, that Conrad-Dorgan will have on Social Security is to jeopardize the government's capacity to keep paying it.

Having done that, Conrad-Dorgan are now posing as the saviors of Social Security from Republican looters. A neat trick. A complete fraud.

Mr. DOMENICI. Mr. President, we all understand that the unified balanced budget is what has been used ever since Arthur Burns was chairman of the Federal Reserve Board. It is still used today. It is used by the President, it is used by the Federal Reserve Board, it is used by the Congressional Budget Office. What it essentially says is, if you put everything on budget, including not just the Social Security trust fund, but the myriad trust funds, that is the unified budget. Do not take some off and put some on; put it all on. With it all on, we are in balance.

I suggest—and it may come as a surprise—that we might even be able to show you, before the debate is finished, that in the 10th year we may be balanced—let us take Social Security balances off budget. We may be very close to getting there, under the projections of the Congressional Budget Office.

Having said that, let me talk about just two other things. My colleague from New Mexico took to the floor and spoke about education, relating with some specificity to my State and his, New Mexico. Let me make sure that we all understand what we are talking about. Let me try my best to make sure everybody understands about education. First of all, we appropriate 1 year at a time. There are no binding caps on appropriations for 1997, 1998 or 1999. Congress will do that each year, unless and until we set some legislative targets.

So let me talk for a minute about where we are in 1996, if everything works out the Republican way. Can we do that? In the year 1992, for the latest official data, total public spending on education programs in the country was $292.2 billion. So on top of that figure, you add $100.5 billion for the private education.

Get this: The Federal education budget, the U.S. Government helping or hindering education—whichever the case may be, but it is money spent—we spent, in 1992, $28 billion on the national Government's education participation. That is 7.2 percent of what is spent in the country on education—7.2 percent. So let us remember when the Federal Government says we are not going to spend quite that much, we are reducing 7.2 percent of the education budget of our schools, not the 100 percent, because the 100 percent is paid by local governments, by the State; 7.2 percent is paid by us.

Today, 3 years later, the percentage has declined to about 6.2 percent. The Federal Government's education component is 6.2 percent of what we spend as a nation. Here are the facts about the year 1996. The Senate-reported education and labor bill provides $22.3 billion for education programs in 1996—nearly $1.5 billion higher than the House-passed bill. The Senate-reported education appropriations bill is a grand sum of less than $400 million below the Federal contribution in the year 1995—$400 million less. Guess what that is in the percent reduction, Mr. President, of education in America? While we are trying to balance the budget, everybody takes a little bit of a cut, it is one-tenth, Mr. President, it is one-tenth of a percent; one-tenth of a percent of all of the expenditures on education is what the Senate did in the Labor education bill. It reduced it by $400 million—one-tenth of 1 percent.

As the President speaks of education, as Senators speak of education, would anyone believe we are talking about, in the Senate-passed education bill, reducing the level of expenditures on education into which we now, as a nation, spend $400 billion, roughly?

We have reduced it $400 million—one-tenth of 1 percent—1996 or 1995. That is not what anyone would understand from the statements that are made. We will wait until 1997 and 1998 and 1999 and see how those counts come out.

For the year 1996, that is it—one-tenth of 1 percent reduction under the Senate's proposal in education funding.

Mr. President, I have a number of other things I will save for later discussions. There is a huge misunderstanding around about the earned income tax credit and how it relates to the $500 per child tax credit. We have now figured it out and we will put it out for everybody to understand.

The one big thing right off for those wondering what we will show you when we put it all together, the President's child care tax credit goes up to 13 years of age and was $300. You had to take the earned income tax credit first and then apply the $500 after—very big difference than ours.

We take the $500 credit before the earned income tax credit and it turns out very, very few people get less than they did in 1995. The overwhelming percentage of Americans with children get a very significant tax cut, EITC changes or not.

I yield the floor.

RECONCILIATION

Mr. FORD. Mr. President, I was listening to the debate by all of our Senators and how well words are used and how well numbers are used.

We see this big board that is here—you may take it down; it should not be on the floor after the Senator has left, anyhow—that the budget is balanced. The budget is balanced under the proposal. That is the reason we can give a $245 billion tax cut; the budget is balanced. If you take $245 billion out of it, it is unbalanced. Figure it any way you want to. I have a balanced budget, but all of a sudden I have an expenditure that I did not account for, so my budget is out of balance.

Anybody sitting around the kitchen table at night trying to figure up their bills, has a balanced budget, then all of a sudden they have a doctor bill, have a car that breaks down, whatever it might be; therefore, their budget is out of balance.

Instead of a medical bill or car breaking down, they want to give a $245 billion tax cut.

We hear about cutting education, only just a minimal amount—$400 million is $400 million. The distinguished occupant of the chair and other Senators here know States that put up anywhere from 60 to 70 percent of their general fund in that State to education. Every little bit of help makes