Madam Speaker, if Congress does not pass an acceptable continuing resolution, the Government will shut down a third time. If Congress does not raise the debt ceiling permanently by March 29, America will default on its debt. If Congress does not wake up and realize that working America needs this help now, the American dream will drift away.

It is still the economy that means important things to America. It is the economy that is a priority to most Americans.

CRIME OF THE RISE UNDER THE CLINTON ADMINISTRATION

The SPEAKER pro tempore. Under the Speaker's announced policy of May 12, 1995, the gentleman from Kansas [Mr. TIAHRT] is recognized for 60 minutes as the designee of the majority leader.

Mr. TIAHRT. Madam Speaker, this country is facing an increasing problem with youth violence and drug abuse. After 3 years of reducing the effectiveness of fighting against drug abuse, Mr. Clinton is trying to salvage his image by appointing a new drug czar. Despite the rhetoric, President Clinton has been unable to win the war on drugs.

When President Clinton swore in his new drug czar, he said a lot of positive things against the country's battle against drugs. But let us not be fooled by President Clinton's claim to have made a sizeable dent in the war on drugs. If he had, we would not have such an increase in drug use and a decrease in drug arrests.

According to Investors Business Daily, two articles, one by Matthew Robinson on September 11, 1995, and John Barnes, June 6, 1995, ''President Clinton has failed to properly fight the war on drugs.'' DEA, our Drug Enforcement Agency, their arrests fell from 7,878 the last full year under the Bush administration to 5,279 in 1994 under the Clinton administration.

Drug-related arrests, made in cooperation with overseas law enforcement agencies, fell from 1,856 in 1992 to 1,522 in 1994. Although 140 new DEA intelligence specialists were trained in 1992, zero were trained in 1994. President Clinton slashed the Office of National Drug Control Policy by 84 percent, cutting the staff from 116 to just 25. He eliminated 355 DEA agents and 102 personnel from the Justice Department's organized crime enforcement task force.

President Clinton dropped the drug issue from the top to the bottom of the National Security Council's list of 29 priorities.

In a household survey on drug abuse, as shown on this chart, it was published in September 1995, the estimated number of 12- to 17-year-olds who have reportedly smoked marijuana grew from 1992, 1.6 million, to 1994, 2.9 million. In the 14- and 15-year-old age group, it saw a 200-percent increase in the use of marijuana.

I have another chart that talks about how drug enforcement has been down under the Clinton administration. This depicts the number of Federal marijuana defendants, which has dropped 18.6 percent, in 1993 it was 5,500, to 4,100 by 1995.

Also, the prison time is getting shorter. In this chart, the average prison sentence for marijuana defendants is down 13 percent. In 1992, the sentence was 50 months. By 1995, it has dropped down to 43 months.

It is not just confined to drug abuse, either, Madam Speaker. We have a problem with violent juvenile crime. The juvenile crime clock, which is published by Crime Strike, says that a juvenile is arrested for murder every 2 hours and 10 minutes; for rape, every 51 minutes; for robbery, every 13 minutes; and an aggravated assault, every 8 minutes.

Juveniles are not tried as adults as often. Despite the increasingly violent nature of juvenile crime, as well as the increased number of juveniles involved, the percentage of juvenile cases referred to adult courts has actually declined. In 1984 it was 5.2 percent, approximately 54,000 cases out of 1 million. By 1993, a decade later, the adult court referrals had grown to 61,000, approximately, but it was just 4.8 percent of the 1.29 million offenders taken into custody.

I believe the liberal Clinton administration is part of the basic problem. In our war on crime, the liberals have become soft on criminals, and it is making it hard for the rest of us. I think this is why many Americans are losing faith in our court system. One of the most recent examples is an appointee by President Clinton, Judge Harold Baer, a liberal judge in New York City.

I have two articles I would like to refer to. One is in the Columbus Dispatch. It was published on February 5. It is entitled ''Outrage in New York.'' To give you kind of a background, I will just take some excerpts from this article.

> Judges routinely make close calls in dispersing justice. Sometimes, though, a judge makes a decision so mind-boggling, so dumb, that it makes people wonder what planet he is living on.

Such has been the case in New York City, where on January 24, U.S. District Court Judge Harold Baer, Junior, let a confessed drug courier walk free after police officers observed 80 pounds of cocaine and heroin being loaded into the trunk of her car. The mayor, the police commissioner, and nearly everyone else in New York is up in arms over this nonsensical ruling.

I have a chart here that just kind of depicts how many drugs were in the trunk of that car when the arrest was made. There was 75 pounds of cocaine, and actually 4 pounds of heroin.

□ 1945

That was heading toward Michigan, according to the confession of Carol Bayless, who was at the wheel of the car. That is enough so that every school child in Detroit would have one dose of cocaine. This appeared to be an open-and-shut case, but in a bit of twisted reasoning, Judge Baer said that the officer had no reasonable suspicion to pull over Bayless. He excluded the drugs and the confession, a videotaped confession where Bayless admitted that she was paid $20,000 to take the drugs to Detroit, something she had done at least 20 times before, either for her son or for other dealers. But this evidence was thrown out. No drugs, no case.

Bayless was facing the possibility of life in prison. She whooped in celebration. If this was not bad enough, Judge Baer's written decision reeked with contempt for the police, particularly Officer Carroll who made the arrest, who has 10 years of experience on the street and a spotless record.

Senator DANIEL PATRICK MOYNIHAN, who got President Clinton to appoint Baer to the bench, has had some buyer's remorse, according to the article. He suggested Baer be sentenced to live in that neighborhood for a year to see if that would change his mind.

Federal prosecutors are pondering appeal. They hate to overturn a judgment based on a subjective matter like reasonable suspicion, but in this case prosecutors should appeal, and the courts should overturn Baer's judgment and put Bayless on trial because justice demands it.

On ''ABC World News Tonight'' at 6:30, February 8, eastern time, there was an article run. Part of it was talking about this same ruling. Part of the report said: ''Last month Federal Judge Harold Baer ruled that neither the woman's confession nor the drugs found in her car could be used in court because police lacked sufficient reason to stop her or search her car.''

Here the police saw four men dumping duffle bags into the woman's car at around 5:00 in the morning and when the men saw the police, they ran away. This was not sufficient suspicion for Judge Baer, who wrote that in Washington Heights residents regard police officers as corrupt, abusive, and violent. Had they not run when the cops began to stare at them, it would have been unusual.

Well, in Wichita, KS, the fourth district of Kansas, I think that type of behavior would have been reason to stop someone, and I think that the abuse that has occurred from the excessive amount of drugs in our society justifies having this ruling overturned.

Mr. SHADEGG. Would the gentleman yield?

Mr. TIAHRT. I would be glad to yield to the gentleman from Arizona.

Mr. SHADEGG. I just listened to this story, and it kind of amazes me. If you would be willing to, I would like to enter into a little colloquy to see if I really understand this and see if we can flesh this out a little bit.

You are telling me that the essence of this judge's ruling was that the

search, the stop made by the police and the search which led to the evidence which showed enough cocaine to give every single child in Detroit one administration or one dose of cocaine, the search led to that, they found that much cocaine and the judge threw it out. And the reason he threw it out is because for people to run from the police is normal conduct in that neighborhood, and does not justify the police in having suspicion that some criminal activity has gone on?

Mr. TIAHRT. Yes, the judge felt that that was not reasonable suspicion. Let me just read through the facts of this case.

Mr. SHADEGG. This is a city in America, and this is a judge now appointed by the Clinton administration to the Federal bench, and his decision is that when police look at somebody engaged in what they believe is strange activity, those people decide to cut and run, the police are not entitled to determine that there is something suspicious going on and make a stop?

Mr. TIAHRT. Let us go over the facts of the case and then you can make a judgment yourself.

Early in the morning on April 21st, I assume this is 1995, Officer Richard Carroll sat in his unmarked car staking out a street on Washington Heights known as a prime location for drug dealers. At 5:00 a.m., it was early in the morning, he observed a double-parked rental car with Michigan plates.

Four men walked up to the car without speaking to the driver. They put two black duffle bags into the trunk of this car. When they spotted the officer, they all ran off in different directions.

Officer Carroll then pulled over the driver, Carol Bayless, again, searched the car, finding the cocaine and the heroin with a street value of at least $4 million.

Subsequently, there was a videotaped confession where she said, yes, she knew what she was doing. She has done this 20 times before. It goes back to most people would probably consider running from the police some type of reason for suspicion. I think that is the way it is viewed in Wichita, KS, and I am sure it is probably viewed that same way in Arizona.

I think it is just cause, and it probably shows why we have lost some faith in our judicial system when we have liberal judges turning loose criminals, confessed criminals, on what has been termed a technicality, or his term was, not enough reasonable suspicion to make this arrest. It is, I think, a poor excuse for why we are having problems turning criminals loose.

Mr. SHADEGG. If the gentleman would yield, I would be happy to talk about some other points on this particular topic. And I do want to address this issue of illegal drugs and what has gone on in America since the beginning of the Clinton administration, but I just want to bring this one point home.

At least in Phoenix, AR, we have told the police in my district that if you have a reasonable suspicion, you can stop someone and inquire into their activity. That is in fact the law in America.

In Phoenix, AZ, if police see some group of individuals at 5:00 in the morning or midnight or practically any time of day, and upon those individuals recognizing them as police the individuals scatter and run in six different directions, that certainly would be for any judge in Arizona articulable suspicion and reasonable grounds for them to stop those individuals, to make an inquiry, to require them to produce some identification, and to find out whether or not criminal activity is going on.

I, myself, signed a letter today calling for Judge Baer to immediately resign from the Federal bench.

If you contemplate the society which he is calling for, it is a society in which the norm is citizens may run from police, and when police see them run, they are to assume, well, there is nothing wrong. I guess if we have understood what he said, he said, well, in this particular community the norm would be that it would have been strange if they had stood silent.

I guess the standard Judge Baer is calling for is that if the citizens of that community see a policeman and they stand still or they continue what they are doing, then the police have the rights to come up to them and say, ''This is awfully strange. Judge Baer tells us that normal conduct would require that you run away from us, but we will require you to stay here. He thinks it's odd only if you do not run. Therefore, since you didn't run, we're going to ask you for identification and determine whether or not illegal activity is going on.''

It is hard for me to believe that that is the standard set by a judge in America. It is hard for me, even further more difficult for me to believe that that judge has now been appointed by this administration to the Federal bench, and I can see why the good Senator would have had perhaps some buyer's remorse on this recommendation.

Mr. TIAHRT. If we take a practical application of what Clinton's appointee, Judge Baer, would view, his view of America as you have expressed, suppose you are a common citizen and you are driving your automobile, and for some reason a policeman acknowledges that they are behind you by putting on their lights. The normal behavior, according to the Clinton appointee, would be for you to speed off and try to elude the police. I cannot imagine how dangerous our highway system would be every time a police officer attempted to stop someone for perhaps having a headlight burned out or an unsafe condition ahead where they would speed ahead.

I think that Judge Baer here is exactly wrong. I think this exemplifies what is wrong with liberals in our judicial system, and it exemplifies why many people are concerned and frustrated by our current court system.

There is another program that was thwarted by the Clinton administration, and it was a successful program. It was put in an article in the Policy Review written by Charles Molony Condon, who is the attorney general of South Carolina.

While he was working as a circuit solicitor in South Carolina, he became aware of the problem that this Nation is having with crack babies, and he became aware of its through the Charleston Medical University of South Carolina's hospital. He said that he found out that about 1 in 10 children born nationwide has been exposed to cocaine in the womb, and this affects approximately 350,000 babies every year.

The hospital, MUSC, the Medical University of South Carolina, said that they have seen bills reach $750,000 from crack babies, for one crack child. Most are born to welfare mothers, so Medicaid and the hospital end up picking up the bill. In one instance, the General Accounting Office had found that a single cocaine baby can run up a lifetime tab of $1 million in medical costs and educational costs.

Mr. Condon decided that he would try to do something about it, and working with the hospital, they aggressively confronted pregnant women, talking to them about the consequences of their drug abuse. They were having trouble getting women to voluntarily seek help, but in this program they were given a choice: either seek drug treatment or face arrest and jail time.

They did this over a 25-year period, and over that 25-year period they were able to see crack babies in this hospital going from approximately 24 per month down to about 5 to 6 per month. It was called an amnesty program and it had a very positive effect.

But then in came the Clinton administration with allegations of discrimination and accusing the hospital of violating privacy rights. The Clinton administration, along with the ACLU, threatened to cut off the $54 million in Federal assistance that MUSC was receiving, which was about 60 percent of their annual budget. This boiled down to, according to the article, the Clinton administration protecting not the children but the right of the mothers to escape the consequences of their neglect.

As reported by Health and Human Services Secretary Donna Shalala, South Carolina's crack baby program was discriminatory. But according to Charleston police Chief Rubin Greenberg, he said the program benefited the black community most of all.

I want to quote from the end of this article. It says:

> One of the most basic responsibilities a mother has is to her child. If a mother injected cocaine into the tiny arm of her infant, causing permanent brain damage or death, certainly that mother would be arrested and prosecuted. Yet that is exactly what addicted mothers do when they consume cocaine throughout their pregnancy. In South Carolina, we tried to do something about it. The program we created was working. Now it is no more. And as long

as the powerful Federal bureaucrats continue to manipulate Federal funding to serve a bizarre agenda that is deaf to the cries of damaged babies, there is nothing more we can do. Why is the Clinton administration stopping us from protecting our children?''

Here we have an effective program that was dealing with some of the core issues, some of the heart-rending problems that we are having in our society, unborn children being abused by drug abuse. They developed a program. It was being studied and sought out by other States, other States were looking at it as a model, and yet it was effectively shut down by the Clinton administration.

I think that this program and others leave us puzzled. Why do the liberals in the Clinton administration oppose getting good sentences, allow criminals to be released, and when an effective program is in place, they move in with a force, with a vengeance, and shut down a program that has been successful.

Even though we have drug abuse, especially through teenagers, it is not doing enough. I think we have not gone far enough. Overall drug abuse seems to be waning or being leveled off, but teenage drug abuse is up while enforcement is down.

I think President Clinton has not only ignored the drug problem but he has actively hampered the efforts of drug control agencies. In February 1993, less than 1 month in office, President Clinton eliminated 83 percent of the staff at the Office of National Drug Control Policy. Continuing the abdication of leadership, the President also eliminated the drug testing program for the White House staff.

Mr. SHADEGG. Would the gentleman yield?

Mr. TIAHRT. I would be glad to yield.

Mr. SHADEGG. I would like to make a few points here. I come to this Chamber as former assistant attorney general. I spent 7 years in the Arizona attorney general's office, in the fight against crime and in the fight against drugs.

I think there are some points that need to be made that I am gravely concerned about. I am concerned about them because I am the father of a 14-year-old daughter who is in junior high this year and next year will begin high school, and I am told that drug use will be prevalent and drugs will be available in every high school she can go to, no matter whether we select a private high school or a public high school.

Today I want to compliment the chairman of the Government Reform and Oversight Subcommittee on National Security, International Affairs, and Criminal Justice, the gentleman from New Hampshire, WILLIAM ZELIFF. Today they released, and it will be made public 5 days from now, their ''National Drug Policy: A Review of the Status of the Drug War in America.''

Now, many people listening tonight might say, ''Well, we can really win the drug war in America,'' and they would make that argument. What this report shows and what is of grave concern to me is that one thing is clear. We may not be able to win the war against drugs, but when we surrender any effort to stop drugs, when we give up on that war, there are consequences, and I would like to talk about some of those consequences.

□ 2000

First let me talk about Arizona. In Arizona we are a border State. Seventy percent of all of the illegal drugs which come into this country come across the Mexican border. The efforts of Chairman ZELIFF and of his subcommittee on which I serve could not be more timely in terms of Arizona.

Let me talk about what is going on in my home State. Current use of all illicit drugs is up among public school students at both high school and junior high levels. The 1995 Substance Abuse in Public Schools Survey put out by the Arizona Criminal Justice Commission says that current use of methamphetamines, hallucinogens, and marijuana amongst high schoolers is at the highest level it has been since 1988: 21.8 percent of all Arizona high school students reported using marijuana in the last 30 days; 16.8 percent of those students reported using marijuana within the last 10 days.

Equally frightening, as the gentleman from Kansas has pointed out, is the link between this drug use and crime. The crime rate in Arizona has doubled, from roughly 19,000 in 1985 to more than 28,000 violent crimes by 1995.

Ask yourself why. Why do we have this surge in violent crime? Why do we have this dramatic surge in juvenile drug use? Let me recite the record of the Clinton administration.

First, upon taking office, President Clinton gutted 80 percent of the staff of the Office of National Drug Control Policy. He took the staff from 146 at the level when he acquired office to 25, an 80 percent reduction.

One of the first announced goals of Attorney General Janet Reno was to reduce the mandatory minimum sentence for drug trafficking and related Federal crimes.

The Clinton administration national security policy subsequently passed and the President signed a new directive ordering a massive reduction in Defense Department support for interdiction efforts.

And, as we all recall, President Clinton's Surgeon General called repeatedly for serious consideration of drug legalization.

We have a problem in this Nation. It is a serious one. It is one where we have abandoned the war on drugs. My friend the gentleman from Kansas pointed out early on that the President was AWOL in this fight. I think he indeed is AWOL in this fight.

Almost a year ago, former First Lady Nancy Reagan came before our subcommittee and asked a very telling question. How could it be that we had gone from winning and making serious progress in the war to stop, at least to stop the ever increasing use of drugs by more and more of our children and the use of dangerous drugs? How could it be that we had in a span of just 3 years dropped so dramatically from significant success in that area to significant failure?

Chairman ZELIFF'S subcommittee in the writing of this report held 5 oversight hearings during 1995 to assess the status of the Nation's drug control strategy. While I will not belabor each of the points, some are worth making note of.

First of all on March 9, 1995, Bill Bennett, a respected scholar in this area, a respected leader in this Nation, and the former drug czar and former Office of National Drug Control Policy Chief of Staff John Walters both testified, and I quote, if the drug use trends continue, by 1996 the Clinton administration will have presided over the greatest increase in drug use in modern American history.

What has that led to? Let me cite just some of the sad statistics. I note that the President today has convened a conference to address this issue. I applaud him for that effort but I am concerned that it is only an election year effort.

Casual drug use in America is dramatically up in virtually every age group and for every illicit drug, including heroin, crack cocaine, hydrochloride, LSD, non-LSD hallucinogens, methamphetamines, inhalants, stimulants and marijuana.

Ask yourself why. For one reason, the nationwide street price for most illicit drugs is lower than at any time in recent history. It is because this administration reduced its efforts to interdict the flow of drugs into this country. It has also dramatically reduced its efforts to cut off source production.

The potency of the drugs, the same drugs, particularly heroin and crack, is higher according to the nationwide survey than any time in recent history and nationwide drug-related emergency room admissions are also at an all-time high.

It is a situation which has gone unnoticed by the press and which must not go unaddressed by our Nation. We are at risk of losing a generation of Americans and we must do something about it.

I could cite a great deal of statistics. I am sure the gentleman has them of his own. For example, the nationwide Pride survey of 200,000 students showed that 1 in 3 American high school seniors now smokes marijuana. There has been a 36-percent increase in cocaine use among students in grades 9 through 12 just since 1991 and 1992. Hallucinogen use by high school students has risen by 75 percent since the 1988–1989 reporting period. Cocaine-related episodes in 1994 reached their all-time high in U.S. history, a 15-percent increase from 1993 and a 40-percent increase from 1988.

These statistics cannot be ignored. It is time that the President address this issue. it is critical that the Nation do something about this. I think the statement of the gentleman from Kansas that the President has been AWOL, absent without leave, on this issue are exactly right. It is time that he did appoint a tough drug czar, it is time that we went back to working interdiction, it is time that we went back to examining the transit zone, it is time that we made a serious effort to go at source production in the source-producing countries. We know those countries. We had effective efforts before them to begin with.

But more than any of that, it is time for this President to lead nationally, to set an example. He has to take the bully pulpit and talk about this scourge or he will be responsible for the loss of a generation of Americans to illegal drugs and their corrupting influence.

Mr. TIAHRT. I could not agree more with the gentleman from Arizona.

We have fundamentally three problems in the United States today:

One is economic and that is where we are struggling to balance the budget. If nothing else we would create more jobs, and I think that is very important for people who are trying to rise out of poverty and get out of the situation where drug abuse is so prevalent.

The second major problem is kind of our social structure, how we deal with people truly in need. Our welfare system needs to have the work ethic put back into it. Many people are trapped into a system that is hopeless. They cannot see a way of dealing with it. And so they resort to drugs to escape temporarily.

One thing that we could do in our legislative process is get the work ethic back into the welfare system so that people can have hope. We have heard so much about self-esteem. But we cannot have self-esteem without accomplishment, and we cannot have accomplishment without work. It is so important that we get our work ethic back into our system.

We also have got to provide opportunities for people as they rise out of poverty. That is why this Congress has supported increasing college loans. It is very important for the future of this country. But we must also, in order to effectively progress in education, eliminate the deadwood, like programs of Goals 2000, which has been largely ineffective. We spend hundreds of millions of dollars in the bureaucracy here inside the Beltway and do not educate one child. it is wasted money. That money would be more effectively spent by States directly in the classroom.

But we also must look at our criminal justice system and how we deal with those who by their very violent acts and by their total excessive abuse and by pushing drugs on minors and young people, that we deal with them quickly and harshly.

We must enforce the hot stove principle. When someone puts their hand on a hot stove, it does not take long to figure out that that is not the type of action that we want to follow up on or do again. So should our crime system be. That when someone commits an act that is not acceptable to our society, like pushing drugs to minors, like violent acts of criminals, then they should have quick and just punishment and not let it linger on. That is the second major problem and it is part of the social structure that we can deal with in some part through legislation.

But the third problem in our society is a crisis of the soul, a problem of the heart. This is a problem, and this is not going to go away by spending more money on social programs. This country has spent since the 1960s $5 trillion on our social programs. Yet every social indicator that we have, drug abuse, violence, divorce, domestic violence, child abuse, is all getting worse. We have spent a tremendous amount of money.

In order to make $1 trillion, one would have to make about $1 million dollars a day for 2,000 years just to get $1 trillion. It is a tremendous amount of money. People do not realize how much money that is. But yet we have spent it trying to increase the lot for people who are truly in need and it has been wasted. We must change the system.

But in dealing with the crisis of the soul, the money is not going to be solving the problem. Instead, we are going to have to each take ownership of the problem and it is going to have to start with individual responsibility, inside our home.

If we want a better family, we must be better spouses, better parents, spend more time with our children. If we want to have a better church, it is important that we be involved in the church, through attendance and through helping with classes like Sunday School. If we want a better neighborhood or a better community, we have to be a better neighbor. It is this type of ownership that is going to change the problem.

There is a gentleman who owns a machine shop in Wellington, KS, just north of Wellington, KS. In about the mid 1960s, he grew tired of driving back and forth to Wichita, KS, where he had a job as a machinist at Boeing Company and he started his own machine shop. He had 4 employees to start with. Now he is up to 200 employees.

Last August I was in his brand new building which sits across the street from his original facility. In that building he has a machine that is 30 feet wide and 200 feet long. It sits on 21 tons of concrete. The surface which is stainless steel is totally flat. You can drop a marble or a ball bearing on it anywhere on that surface and it will not roll. It is a 3-spindle 5-axis machine, and it cost $7 million for him to procure the machine and get it placed in this building.

As I looked at this machine, having come out of the aerospace industry, I asked him what parts was he going to manufacture on this machine. Bill Meredith is his name.

He said, ''You know, I don't know at this point. I'm looking at several different things.''

I was astounded. I thought, how is it that this man is successful when he does not even know what parts he is going to be running across this machine which costs $7 million?

So I asked him, ''Bill, why is it you're so successful? Is it because you're willing to take the risk, to borrow $7 million and employ additional people? Or is it because you're on the leading edge of technology?''

Bill said, ''It's really neither of that. It's not because I have borrowed the money or because I'm willing to take the risk. The reason I'm successful is because I have good people working for me.''

I thought, that is probably the solution to our problems. We need to get good people involved in the process, to take ownership in the problems that we have in this country.

In a book written by Marvin Olasky, who is a history professor at the University of Texas, called the Tragedy of American Compassion, he talks historically how we dealt with people who were truly in need over the years and how we used to require something from the people as they received benefits. The men would chop wood in the time when wood was used as a source of energy and women would sew or take care of other children and they learned to read and they got involved back in the system and it helped them rise out of their temporary position of poverty into successfully participating in society.

What we have now too often is a situation where people have relied on the Government to provide for those truly in need. We pay taxes. It is the Government's problem. We have lost that ownership in solving the problems. Mostly it was charitable organizations that dealt with people who were truly in need. Now we have moved it to the Government and it has not worked effectively.

In order for us to make that transition back to successfully moving people out of temporarily being poor as opposed to being caught in the welfare cycle, second and third generation being caught, get them involved in moving into a productive time, Marvin Olasky advocates each of us being involved, good people being involved.

I think that that is what this country is going to have to do. We cannot rely on the Federal Government to solve our problems. We have a 30-year history after spending $5 trillion proving that the system does not work. It is broke, it is anti-family, it is anti-work, it is anti-property accumulation. It teaches the wrong example for a system of free enterprise. Each of us must answer the call and take ownership in the problem. If we do, I think that we will have a much better country.

□ 2015

DEBT, DEFICITS, AND BALANCED BUDGETS: THE TRUE DEBT

The SPEAKER pro tempore (Mrs. WALDHOLTZ). The gentleman from California [Mr. HORN] is recognized for 60 minutes.

Mr. HORN. Madam Speaker, today I want to continue the discussion of the debt, deficits, and balanced budgets. This is a true debt speech. Some of the debt you hear about is only part of the debt. We are going to get into the unfunded liabilities again and what is really out there for ourselves, our children, and our grandchildren.

''Blessed are the young, for they shall inherit the national debt,'' said President Herbert Hoover in a statement made in jest over six decades ago. Today the young, the old, and those of us in between have a significantly lower standard of living than we should have.

Why is that? Federal deficits and unfunded promises have eaten away at the investment capital, the seed capital, if you will, that America needs to grow.

In the first chart here, we look at family income with and without deficits between 1980 and 1996.

If Congress and the President for the last 26 years had run the country as most of us have run our family finances—matching what we earn to what we spend—an average family would have had at least $5,000 more to spend each year; that is, roughly $100 per week. Or they could also have paid a lower rate of interest on their home and their car. With 2 percent savings in interest, a $100,000 mortgage payment on a house would be $2,000 less each year, or nearly $200 per month, and greatly improved family job opportunities would have resulted from that.

The Federal Government deficits as well as unfunded promises, including the loan and credit guarantee losses experienced by the Federal Housing Administration, education loans, farm ownership, rural development loans and guarantees, insurance programs, including deposit insurance, the Pension Benefit Guaranty Corporation, the Federal Emergency Management Agency and its flood insurance, and potential losses from the government-sponsored enterprises have contributed to reducing our standard of living even though a lot of good is done by all of these programs.

The intent of many Federal promises is good, but the overall result has been that Uncle Sam has made over $50 trillion, that is a ''t'' for trillion, in promises that we might not be able to afford, including a $4.9 trillion national debt, which is what we are grappling with this month, plus farm subsidy payments, inadequately funded civil service and military retirement, Medicare, Medicaid, an ever-widening variety of programs and other unfunded entitlements.

New Federal promises have often produced costs adding to the debt and potential liabilities, and those costs have risen beyond their authors' wildest dreams.

During the next several minutes I will explore the issues surrounding Federal debt, including the yearly Federal budget deficits, unfunded Federal promises, which together create the yearly deficits, and Uncle Sam's potential bankruptcy.

Let us look a little bit at history. Ancient Athens, the world's first democracy, it prospered during the sixth century before Christ. Athenians had no notion of deficit budgeting or of a national debt. In brief, budgets had to be balanced. If expenditure exceeded income, then either revenue had to be increased or spending reduced.

''Prudent provision might build up reserves against rainy days,'' said Professor David Stockton, in his book ''The Classical Athenian Democracy,'' that was published by the Oxford University Press in 1990.

Athens eventually fell to Sparta, but it was not because of any debt. Even though there was no notion of deficit budgeting or of a national debt in part of the ancient world, Rome briefly resorted to forced loans to the state during the Punic Wars. Coins, worth their content in precious metal, were the currency of ancient Rome and Greece. Printing of currency to finance governmental activities would be centuries away.

In the modern era, government debt has achieved its full potential. As the economists noted, ever since King Edward III of England defaulted on his debt to the Italian bankers in 1335, international investors have fretted about the high levels of government indebtedness.

A recurring theme throughout the history of the United States is that the Federal debt should be avoided. Thomas Jefferson, Andrew Jackson, the populists, Dwight Eisenhower, Ross Perot, and numerous others have decried excess Government spending.

For instance, President Dwight D. Eisenhower, in his 1955 budget message, noted that ''one of the first problems of this Administration was to bring the budget under control.'' Jefferson, our third President, warned that the ''public debt is the greatest of dangers to be feared,'' and that ''debt and taxes were public evils of the first magnitude. They drained capital away * * * diverted it from productive enterprise, and supported a system of coercion, corruption and privilege that was the bane of every government and necessarily fatal to a free one.''

Andrew Jackson believed that the national debt diverted funds from productive private uses into the unproductive ones of providing Government services, and taking from the poor to the rich. During the Jackson administration in 1835 and 1836, the Federal debt was actually paid off.

President Martin Van Buren, Jackson's successor, found that the creation in time of peace and a debt likely to become permanent is an evil for which there is no equal.

Even Franklin Delano Roosevelt, who led us out of the Depression of the 1930's, warned us about peacetime debt. Said Roosevelt, ''Let us have the courage to stop borrowing to meet continuing deficits. * * * Any government, like any family, can for a year spend a little more than it earns. But you and I know that a continuation of that habit means the poor house.''

Our effort in this Congress is to stop big Federal deficits, and that effort has been supported for years and during most of his Presidency, by Ronald Reagan. He warned in his 1981 inaugural address that ''You and I, as individuals, can, by borrowing, live beyond our means, but only for a limited period of time. Why then do we think that collectively, as a Nation, we are not bound by that same limitation? For decades, we have piled deficit upon deficit, mortgaging our future and our children's future for the temporary convenience of the present. To continue this long trend is to guarantee tremendous social, political and economic upheavals.''

What is past is prologue is chiseled on the front of the National Archives, located between Constitution and Pennsylvania Avenues in Washington. Ignoring our forefathers' warnings about debt and deficits is done at our own peril. What is past is prologue is a good guide. I recall one taxi driver who had an elderly lady he was touring around to see the sights of Washington. When she wondered what was meant by what is past is prologue, the driver translated it. He said, ''Lady, it means you ain't seen nothing yet.'' And that seems to be the situation we are in. How right that taxi driver was.

The much complained about national debt under Franklin Roosevelt is minimal compared to the deficits run up based on 40 straight years of control of the House of Representatives by the Democratic majority. Balancing the budget, reducing debt and ending government deficits are part and parcel of the same economic theme. This theme has been played out within Congress and the White House every year regardless of party.

In the 208 years since the adoption of the Constitution, the Federal Government has balanced the budget 105 times, a slight majority. Unfortunately, in this century, the budget has only been balanced 27 times out of 96, and the last balanced budget was in 1969.

Large budget deficits in the 1980's, and the 1990's have resulted in a soaring national debt. The debt will continue to rise precipitously even with the balanced budget initiatives recently enacted by Congress despite the veto of the Balanced Budget Act initiative by President Clinton.

No matter how much of a spender the President is, he can not expend funds if we do not appropriate them. That is the difference between the Democratic and a Republican Congress.

Federal debt, despite our efforts, will approach $6.7 trillion by the year 2002 when, if we reach final agreement with the President, we will have a budget with no annual deficit, and that equivalency of going from the $5 trillion national debt now to the $1.7 trillion more to reach $6.7 trillion by the year 2002 will cost over $25,000 for every man, woman and child in the United States.

The Federal debt will continue to grow even after the budget is balanced in the year 2002, with the elimination of the annual deficit.

And why is that? Because through accounting manipulation only part of the debt increases are recorded in either the President's recommendations, in his submitted budget, and the budget as finally approved by the Congress. Interest on Government trust funds, for example, is not included in the current budgets. That amounts to nearly $100 billion a year paid to the trust fund because the trust funds have been borrowed by Presidents, both Republican and Democratic, to give the illusion of reducing the annual deficit. Thus, the President's budget recommendation and the congressional budget hide the Federal trust fund yearly increase, and between 1991 and the year 2000, this will amount to over $1 trillion addition to our national debt.

In 2002, after the so-called balanced no-deficit budget has been achieved, assuming the President signs off on it in the next few months, budgetary surpluses using the current checkbook budgeting mechanism will have to exceed $100 billion each year to end the increases in the national debt.

Current debt management procedures are akin to a homeowner not recognizing the interest expenses on the home mortgage. After 30 years, the heirs will discover that accumulated interest expenses exceed by many times the home's purchase price.

If we are going to continue our imprudent policies, then your grandchildren will have to pay for them. Imagine, your grandchild in the year 2050, which might seem a long way away for many, but it is right around the corner once you hit your 20's and the world goes faster and faster; let us say the grandchild in 2050 is ready to retire, and instead he is told, ''Your grandfather and others left this debt for you to pay. You cannot retire now. In fact, you own over $200,000 in interest and other liabilities.''

Since 1970, the massive runup of the Federal debt has had no precedent in peacetime America. Major increases in Federal debt occurred during the Revolutionary War, during the War of 1812, during the Civil War, and certainly during the First World War and the Second World War, and of course the cold war which followed.

As the Constitution took effect in 1788, the debt had risen to $73 million for the cost of fighting the American Revolution. Just before the War of 1812, the debt had actually decreased to $45 million. Deficits during that war resulted in the debt increasing to $127 million by 1815. In 1835, a Federal debt was paid off with a surplus, and with a surplus, an extensive debate occurred as to how that surplus might be returned to the people and to the States.

□ 2030

The Civil War saw the end of that talk. The debt increased from $65 million in 1860 to over $2.7 billion by 1866 to fight the bloodiest war in our history.

The debt declined to $1.2 billion just before the First World War. In only 2 years during that war—America's first real entry into an international conflict—the Federal debt rose by almost a factor of 10, to $25.5 billion.

Between 1932 and 1940, during the presidency of Franklin Roosevelt, the Federal Government ran annual deficits between $2 billion and $4.3 billion. With the start of the Second World War, deficits increased dramatically to approximately $50 billion per year between 1943 and 1945 as the war grew to a peak in the production of armaments. By 1946, the national debt had reached $270 billion.

In the 1950's, the budget was balanced three times, and in the 1960's, it was in balance only once. Our budget has not been in balance, as I mentioned earlier, since 1969, the last year of the Johnson administration, the first year of the Nixon administration. Large deficits were run up in 1959 at the end of the Eisenhower period, almost $13 billion. In 1968, the end of the Johnson period, we had $25 billion.

During the 1970's, the early 1980's, large deficits in the $20 billion to $80 billion range were experienced annually. From 1982 to today, deficits have averaged over $200 billion per year.

Now the bad news. The yearly deficits as reported in the recommended presidential and ultimately enacted in the congressional budgets are only a part of the story. The total debt increase each year nears $400 billion, when you include the interest paid on those Federal trust funds which I mentioned earlier. That is a cost per family of almost $4,000 per year.

Our national debt is a Federal liability or a promise to pay to the people that hold the bonds that are needed to be issued to manage that debt. It is the link between Federal liabilities and budget spending and revenues. Other Federal promises or liabilities often reflect Government spending decisions, but the debt is the single-most important link between governmental decisions to spend and governmental reluctance to collect needed revenues, taxes, to cover the expenditures.

The arithmetic of Federal deficits is very simple. Regretfully, it is an easily understood subtraction. Each year since 1969, the last year the budget was balanced, the Federal Government has spent more than it has received in revenues. Thus, yearly revenues minus spending equals a surplus, or, if spending has exceeded revenues, a deficit. The excess spending has obviously resulted in an annual deficit. So we have the yearly deficit plus last year's debt, plus the interest on the trust funds, equal what is really the national debt of the United States.

Congress in its budget resolution projects that the debt will reach approximately $6.7 trillion by the end of fiscal year 2002. At that rate, interest will consume over 20 percent of the Federal budget by 2002, up from 3 percent in 1955.

As I recall, the first time we had a $100-billion, operational budget was 1965, the height of the Vietnam War during the Johnson administration, the beginning of the domestic Great Society. Now, that $100 billion ran the whole government and ran a war abroad that was a very difficult war. And yet that is what we willy-nilly provide as interest on the debt. Essentially what we pay for interest today is 2 Johnson administration years at their height. That is our cost to manage the national debt of today.

The debt has increased 600 percent since 1980. It will go up another $1.7 trillion between 1996 and the year 2002. Since the founding of the Republic, few issues have received the continuing attention that the annual Federal deficit and increasing national debt have attracted. Until this century, Federal deficits have been scrupulously avoided in peacetime. It has only been since the 1930's that Federal deficits have become commonplace.

Some blame the English economist John Maynard Keynes. Keynes stressed that in order to revive a depressed economy government should spend more than it received in revenue in time of unemployment. When the economy was prospering, however, the debt added to regain prosperity would be reduced by increased taxation during that now new prosperity.

President Franklin Roosevelt understood very well the first part of the Keynes theory of unemployment, the spending part, that would reduce unemployment. But he failed to adhere to the second part—the recoupment part—of recouping what you spend to get the economy moving again in better time.

When the economy was booming and there was full employment stimulated by the Second World War, Government should have financed our armaments through increased taxation on individuals and corporations. Instead, the Government took the easy way out; it issued Government bonds. Those are the bonds on which we pay interest and which we use to manage the national debt.

Most legislators obviously do not want to raise taxes. That is not a popular thing to do. So your only other choice is to cut spending. Most Presidents do not want to recommend new taxes. So both the Congress and the President, since the Great Depression of 1929, have to accept blame for the

current $5 trillion national debt. But mostly the Congress over the last 40 years has to accept it because, very frankly, the President cannot spend a dime unless Congress appropriates it or by back-door spending authorizes a blank check which the President can use any time of night or day.

Federal deficits and debt run counter to American thriftiness. The ''penny saved is a penny earned'' ethic is a vital part of our American heritage. Most of the children's stories of the 19th century stressed that work ethic, that ethic of a penny saved is a penny earned. We all know the children's story about the wise ant who prepared for winter by storing up on food and doing one's duty to one's family, and the grasshopper that blithely played and played and did not work and simply did not save a thing. Of course, the grasshopper had problems. The grasshopper froze during winter. If the grasshopper did not starve to death, perhaps the ant was charitable enough to provide food through the bad times of the storms.

Thrift has guided our day-to-day living for many generations. Today Americans are demanding that the Federal Government practice thrift as we practice it in our families, in our businesses, in our schools, in our religious institutions. It is clear to most Americans that we must stop spending more than we take in. We must reduce taxes, and we must keep Federal programs that work and get rid of those that do not work.

When will we see Federal budget makers practicing good old American thrift? Not until Congress and the President have the will to cut more spending, reduce taxes, and, thus, balance the Federal budget.

This Congress has the will. A majority of us have the will. It remains to be seen if the President has the will.

There is both good and bad news about America's debt and deficits. The good news is that this Republican Congress has turned away from deficit spending. By our votes in committee and in the full House of Representatives, we have cut spending and reallocated funds among programs. We have eliminated programs.

The President claims he wants to cut spending, but he has vetoed several appropriations bills that did cut spending. Republicans, through our continuing resolutions, CR's, as they are called, have continued on the path to a balanced budget by the year 2002 or sooner.

We have done that without passing a balanced budget amendment to the Constitution. We passed it in this House. We had the two-thirds vote. We had a number of Democrats join us on that. We could not pass it in the Senate by one vote because about eight members of the Democratic Party who promised their constituents they would vote for that constitutional amendment did not vote for the balanced budget amendment.

The Congressional budget for the fiscal year 1996 requires that the Federal budget be balanced in 7 years. In his preliminary year fiscal year 1997 budget, President Clinton has jettisoned budget deficits of $200 billion for a budget surplus by 2002.

The bad news is that waiting until 2002 to end the deficits by balancing the budget will add $1.7 trillion to the national debt. That will ensure, at a 5-percent interest rate, $85 billion in additional yearly interest payments. In order to manage the national debt, which is steadily rising from $5 trillion to nearly $7 trillion over the next few years, we must engage in hard choices and we must set priorities. We cannot do all the things we have been doing. It is simply not prudent.

The test of our political system will be whether it will jettison the debt and the deficit strategy of the past 50 years and adopt an economic growth strategy that will ensure our children and our grandchildren's economic future.

Why is it better to balance the budget sooner rather than later? The sooner the rise in the debt is stopped, the better is the chance that America will enjoy healthy economic and social growth. Family incomes would increase by many thousands of dollars if the budget is balanced sooner rather than later.

Our Nation's economic health is at stake. Our Federal Government's health and the economy will depend on how well we manage our debt and the potential liabilities and promises, such as those in welfare, Medicare, Medicaid, and Social Security, among others.

The members of the Social Security System deserve better than they have received. They deserve a better investment strategy than has been used for the last few decades.

Growing Federal debt is like a fever. The higher it gets, the sicker the patient.

Let us take a look at a chart that reflects the economic fever of a number of countries. In Europe, an economically healthy government is defined as having a government's debt to the gross domestic product—some of us grew up calling that the gross national product—ratio of no more than 30 percent of debt to GDP. The national debt of the United States to gross national product ratio is 70. Belgium and Italy have the highest debt to GDP ratio in Europe, namely 142 and 125. They have a very bad fever.

As the fever debt to GDP ratio goes up, a nation's output goes down. Economists estimate that doubling the current fever level of the United States would reduce our country's input by 6 to 12 percent. But, more important, as the fever rises, investor confidence falls. There is a limit to how much debt investors are willing to hold in Federal bills, notes and bonds. As the debt goes up, the risk of default goes up.

At some point, domestic and foreign purchasers of our debt will begin liquidating their holdings. Disaster could strike with interest rates skyrocketing and the stock market falling in a panic. That will not be the first time or the last.

The economic psychology could mean depressed investment, reduced output, declining family wages, with parallel reductions in household spending.

In addition, the exchange rate declines as investors sell dollars. Widespread bankruptcies would occur. Even a Government default could be possible.

With all this, we would be in the middle of a financial and economic disaster.

Looking around the world, those nations—a few of them called the little and big tigers, as you know—that are economically the healthiest, have very low economic fevers. Let us name a few: Singapore, Chile in Latin America, the Republic of China on Taiwan, Korea, Hong Kong, Thailand, Indonesia, Malaysia. They all have low debt to gross domestic product ratios.

□ 2045

And guess what, these are the countries that over the last quarter of a century have had deficits which were less than half of those in other countries. The net result of budget surpluses is a stable well-valued currency, interest rate stability, and single digit inflation.

Let us look at the weaker dollar and what that means for this country.

Over the last few decades the dollar has crashed against the German mark and the Japanese yen, as foreign exchange traders around the world, continue to show their concern about governments with large debts including Mexico, Italy, France, and even Orange County, CA. The foreign exchange traders are shifting their anxiety to the United States as a whole.

We are being taken to the woodshed by the world's foreign exchange managers for excessive debt and excessive promises. Historically this is surprising. As noted earlier, throughout most of America's history our political leaders have clearly opposed an increase in peacetime debt.

Economists for the most part agree that Federal borrowing, over the last 25 years, has led to higher interest rates. Higher interest rates cost consumers dollars, dollars that they could have used to advance the good of themselves, their families, to provide for education and to provide for better housing whatever. For instance, a 1-percent increase in interest rates costs a family obviously $1,000 each year for every $100,000 in mortgage payments.

If the Federal Government had balanced the budget each year since 1980, the debt would be one-fifth of what it is today, or $1 trillion, not the $5 trillion that faces us during this month as we seek to raise the debt ceiling to manage that debt. That level of debt would have left trillions of dollars available for productive private sector investment. Balanced budgets would have

meant more business investment, thus more jobs and more personal savings. The result would have been more revenue for Government since the economy would have been in good health and productive, and Government could have pursued relevant taxes on that economy, and the fever would be very low.

Americans have over $12 trillion in corporate and individual debt outstanding. Just a 2-percent reduction in interest rates means a savings of roughly $240 billion or nearly $2,600 on average, for every American family. Alan Greenspan, Chairman of the Federal Reserve, has told congressional committees that a balanced budget—or assurance that we are on a glide path to a no deficit budget which would be credible—would mean if done by 2002, a drop of 2 points in interest for the citizen. If you had an 8 percent mortgage, it would be a 6 percent mortgage. If you had a 10 percent interest on your consumer debt, it would become an 8 percent interest rate. If you had a student loan, you would save money and so on. Federal deficits mean lower investment, consumption, and savings.

Personal savings are vital for citizens' retirement, for home purchases, for education, for health care expenses, as well as for the Nation's economic growth and development. Excessive Federal debt is cheating our citizens, it is cheating our children and our grandchildren out of a higher living standard by providing them with less money to save, less money to consume, less money to invest.

Today, a rising Federal deficit has cheated the average citizen out of the opportunity to save, to consume, or to invest thousands of dollars since 1969. It is much more desirable for the average family to be able to choose among alternative goods, or to choose to save or not to save as they might desire. Business investment has suffered the same consequences—less money to save has led to less money for business investment. What does this mean? It means fewer jobs and lower profits.

Now let us talk about hot money.

The Federal debt and the unfunded promises are mostly hot money. As noted above, hot money are the dollars stolen from future generations. It is the benefits that Members of Congress and the President have often agreed upon in order to assure their reelection.

This hot money expended over 25 years has significantly lowered each American family's standard of living. Hot money not only breeds intergenerational inequity, it also is simply reckless money in that it encourages those types of political programs and political payoffs. It is unjust by cheating taxpayers with higher interest rates, and it has immoral consequences in that it cheats the poor and the middle class out of jobs.

Let us talk about the lower standard of living that results. According to Martin Feldstein, the President of the National Bureau of Economic Research, the costs of the last 16 years of deficits to an average American family has been a loss of $500 per month. With this $500 loss each month, you family could have bought a nice car, could have bought a house perhaps worth $50,000 more than the one you live in, could have paid for your children's college education, could have paid a lot of hospital bills.

For each of the last 26 years of Federal deficits, which has led to a weaker dollar, which has led to higher interest rates, it has led to lower investment and lower savings. The result is a lower standard of living for the average American family.

Trade deficits and the Federal debt are increasing. Federal debt and international trade deficits are the two major constraints limiting private investment. Thus, economic prosperity is closely tied to the Federal debt. Government surpluses are a key factor in increasing prosperity and raising the standard of living.

When does Government debt become excessive? Well, debt by itself is only a partial measure of whether Government fiscal policy is sustainable.

After the Second World War the United States and Great Britain had debt to gross domestic product ratios of 114 and 260 percent respectively. Winning the Second World War was absolutely crucial for democracy. By 1974, the United States had an economic fever, a debt to GDP ratio, reduced to roughly 34 percent for the gross Federal debt and 25 percent for the publicly held debt. What really counts is keeping the peacetime debt, the economic fever, very low. A high debt growth rate, a rising fever, foreshadows fiscal difficulty.

Today, besides the United States, Sweden, Italy, and Canada, several other so-called developed countries have rapidly growing national debts. Italy has one of the world's largest debts. Financial markets have penalized Italy for its growing debt by demanding a 5 percent premium on Government bonds, and this is just the beginning. The economic penalties for large debts can include insolvency, hyper inflation, illiquidity, depression, broken promises to pensioners and tax rate increases, and, needless to say, when you sum it up, it is a greatly reduced standard of living for all concerned.

When I talk to my constituents back home in the Long Beach to Downey area about the Federal budget, they often wonder why we here in Congress cannot balance the Federal budget this year. They reason that their family, their business and their State and local government with which they are familiar in a similar position would be able to balance the budget in a year or maybe two at the longest.

Let us look at the Federal deficit as an average American family might look at it if it was their deficit. If the Federal Government were an average American family, it would be earning $40,000 a year and spending $44,000, running a 10 percent of $4,000 yearly deficit. Cutting back spending by $4,000 or $350 per month could be accomplished with some minimal financial pain by most families.

For instance, a family might decide to vacation at a local beach instead of at Disneyland or family members may decide to reduce their premium cable channels and their lottery ticket purchases. A new car purchase might be delayed for a year.

The point here is that a 10-percent cutback in spending is not inconsequential, but it would have only a short-term impact on lifestyle. If it were the average family, the Federal Government would run about a 10-percent deficit of this year's congressional budget resolution.

This same budget resolution balanced the budget over 7 years. This seems like a long time to me and many others and certainly to most of my constituents. The Federal dollar chain, as you look at it, and it gets a little complicated, it has several links which, as in many chains, are interrelated. The Federal dollar chain is 75 years long. It begins with today's taxes paid by each citizen; that is the purple part of the chart, and ends with social security promises to the 18 year old just entering today's work force. That 18 year old will probably live to be a 93 year old. These links also relate to what the Government owns. Those are the assets, the Federal revenues, income received by the Federal Government and over 1,300 Federal spending programs and accounts. Like all chains it is only as strong as its weakest link.

The Federal dollar chain links are very critical to each other. Weak links limit the capability of the Federal Government to meet the needs, pay for the promises and perform at peak efficiency. At the top of the Federal dollar chain is the U.S. net worth, the black link. Attached to this link are assets in green and promises liabilities in red and the last promise in red, the link, is to the national debt.

The debt, as I noted earlier, is the result of very simple arithmetic. Revenues in purple minus spending in yellow. Revenues in purple and spending in yellow are what we often focus on here in Congress. Today the link between net worth, national assets and promises or fiscal liabilities to spending and revenues is critical in our examination of what is the true national debt. Our true national debt, the sum of all Federal promises, including our yearly deficits, is overwhelming us. It is time that Government starts using a balance sheet to track its long-term promises. These promises must be matched with assets. Government's ability to pay for promises can be predicted by how they match up with various Government assets.

Now most of these assets you obviously cannot sell and you do not want to sell. We do not want to sell any national parks or anything like that. But

we have to take a very careful look at public land and other aspects and see if it is not of recreational cultural historical heritage value, could there be some investment there that helps us reduce the debt. It might be minimal, but it is more than we are doing now.

Today the Federal Government's elected Representatives and the President focus almost exclusively on this year's income, the revenues from the taxes, and its expenses, the outlays. Little consideration is given to long-term promises and how they will be paid. Promises have been made to fund entitlements; that is, mandatory spending such as Social Security, Government workers' retirement benefits, veterans' pensions, black lung programs, Federal workers' compensation, and welfare and unemployment benefits. Over a 25-year period these promises are estimated to total nearly $25 trillion according to a study completed by citizens for budget reform drawing on data from the Department of the Treasury's financial management service and other Federal and credible private sources. These entitlement programs are nearly 49 percent of the Federal Government's long-term liability. What about the other 51 percent?

Other promises include Federal insurance, deposit insurance for banks, flood insurance administered by FEMA, the Federal Pension Benefit Guarantee Corporation. That amounts to about $5 trillion; those and similar comparable entities total 11 percent. Health includes Medicare which is roughly $10 trillion in financial liabilities. That totals 19 percent. Government-sponsored enterprises such as Fannie Mae, Fannie Mac, all the Federal home loan banks total $1 trillion or 2 percent. Loans and guarantees in general amount to another trillion dollars or 2 percent.

□ 2100

The national debt is the direct link between the long-term promises, the liabilities, and income and expenses. Every year since 1969, the last year we had a balanced budget, Federal expenses have exceeded Federal income, the revenues.

Fiscal discipline, balancing budgets, reducing promises, are key features for restoring our Nation's economic health and assuring our Nation's future prosperity. Typically, Government budget deficits reduce savings. Lower individual and corporate savings are a prelude to less investments and falling exports. Investment falls because reduced savings and the limits of them limits the amount of loanable funds, pushing the interest rates up. Exports are reduced because rising interest rates cause the dollar to rise in value. In the end, trade deficits lead to money being taken out of the United States.

Over the long haul, the Nation's capital stock declines with lower investment. The net result here is less productive capacity, and the Nation's output declines. As investment and capital are crowded out, productivity grows slower and slower, and real wages decline more and more. The bottom line is very simple: The people earn less. A most disturbing trend occurs as assets are reclaimed by foreigners.

Each of us has less and is left with less as foreigners earn our interest, collect our rents, earn our profits. Balancing the Federal budget must be combined with policies that simplify and reduce both individual and corporate taxes, establish adequate currency reserves, provide for an open economy, allow imports and foreign competition, strongly support American exports, provide domestic economic stability, and reform Federal insurance programs, the retirement security system, and the various health systems.

When the Federal Government makes a promise, it should be kept. Promises made, promises kept. We have heard a lot of people make promises. They have not kept them. Many of us have tried to keep them, and have kept them.

Through our oversight program in Congress, we must review every single program for not only its economy and its efficiency, but we also must assure that our customer, you, we, the taxpayers, secure what was promised. This is a very tall order. It is clear that for the United States to remain the world's major economic, military, and political leader, it must lead with fiscal policies that provide for a balanced budget. It must adopt policies that encourage economic growth and opportunity for all of our citizens. The Federal Government should not spend more than the sum of what it has, and what it can raise from future generations.

The benefits of deficit reduction are in the long-term. The currency of the United States is strengthened. Domestic interest rates are reduced. Federal bond rates decrease. The standard of living for all American families will rise. Savings increase. Investment increases. Foreign trade deficits over the long-term decrease. More and better jobs are created.

What must really be done to ensure that these benefits result from a prudent fiscal policy approved by Congress, and hopefully by the President? We need to balance the budget as soon as possible. If it is 2002, fine.

Some of think we should have balance the budget faster. We need to reduce the Federal interest payments as a percentage of the gross domestic product. We need to decrease Federal spending, keeping high priority programs, getting rid of low priority programs. In this, the average citizen, the consumer of Government services, the taxpayer, ought to be involved in telling us which programs are working satisfactorily and which ones are not working satisfactorily.

We need to give tax reductions as the budget surplus kicks in. We need to match long-term promises to what the Federal revenues will be. Balanced budgets, reduced debt, should be sought with the following outcomes in mind. These outcomes should include increased levels of personal consumption, higher savings rates, reduced Federal Government spending as a percent of gross domestic product; in brief, more money in the pockets of the average American citizen, the American middle class, the working people of this country.

We need to greatly reduce unemployment rates, with a special emphasis on young and minority populations. That is the proper investment policy, where the individual citizen can invest, where corporations, business—small and large—can invest. It is investment which stimulates the economy. We will hire more people. The result will be productive economy.

I was tremendously impressed in listening to Governor Engler of Michigan delivered his State of the State address. He said that if every Michigan business hired one more individual, then the unemployment roll in the State of Michigan would be eliminated. That is probably also true for the State of California. But first we must have incentives to encourage entrepreneurship.

Significant increases in economic growth throughout the Nation and throughout urban and rural America are absolutely essential. That will be one of the results of a prudent fiscal policy that balances the budget. We will also have poverty reduction with an emphasis on children—especially in the preventive health—when we balance the budget and provide economic opportunity.

We will be more cost-effective, we will have higher quality health care, education, and housing. There will be a greatly increased growth in economic productivity. After these various accomplishments, and trimming the national debt, President Hoover could change his paragraph from jest to truth and say. ''Blessed are the young, for they shall inherit prosperity.'' That should be the new goal. No longer would the young inherit the national debt; that goal must be not only the guide for those of us in positions of responsibility and trust, but also the goal for all Americans.

Deficit and debt reduction are a central part of insuring economic growth and individual and family prosperity. We are on the road to ending Federal deficits and paying down the debt. We must maintain the course. Our future and the future of our children and our grandchildren are at stake.

Madam Speaker, I do hope that this Congress will be the first one to balance the budget for the 28th time, in this century. It is about time.

RESIGNATION AS MEMBER AND APPOINTMENT AS MEMBER OF JOINT ECONOMIC COMMITTEE

The SPEAKER pro tempore (Mrs. WALDHOLTZ) laid before the House the