schools,'' he wrote. ''If you believe aid is a good thing, then you are the good people. If you believe it, then it's your moral obligation, as it is my own, to do something about it. . . . Let's try tax-credit plans and anything else that offers any help.''

Mr. Cuomo soon learned his lesson. In his published diaries he wrote: ''Teachers are perhaps the most effective of all the state's unions. If they go all-out, it will mean telephones and vigorous statewide support. It will also mean some money.'' In his 1982 campaign for governor, Mr. Cuomo gave a speech trumpeting the primacy of public education and the rights of teachers. He won the union's enthusiastic endorsement against Ed Koch in the Democratic primary. Over the next 12 years, in private meetings with Catholic leaders, Gov. Cuomo would declare that he still supported tax relief for parochial school parents. Then he would take a completely different position in public. For example, in 1984 he acknowledged that giving tax credits for parochial-school tuition was ''clearly constitutional'' under a recent Supreme Court decision—but he refused to support such a plan.

Politically controlled schools are unlikely to improve much without strong pressure from outside. Thus, the case for government aid to Catholic schools is now more compelling than ever, if only to provide the competitive pressure to force state schools to change. And the conventional wisdom that government is constitutionally prohibited from aiding Catholic schools has been undermined by several recent U.S. Supreme Court decisions.

SUCKER'S TRAP

Since the powerful teachers' unions vehemently oppose any form of government aid to Catholic schools, reformers are often skittish about advocating vouchers or tuition tax credits, fearing that will end the public-school reform conversation before it begins. But to abandon aid to Catholic schools in the name of public-school reform is a sucker's trap. We have ended up with no aid to Catholic schools and no real public-school reform either.

Catholic schools are a valuable public resource not just because they profoundly benefit the children who enroll in them. They also challenge the public-school monopoly, constantly reminding us that the neediest kids are educable and that spending extravagant sums of money isn't the answer. No one who cares about reviving our failing public schools can afford to ignore this inspiring laboratory of reform.

Mr. BENNETT. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. PRYOR. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. PRYOR. Mr. President, I assume we are in morning business. I ask unanimous consent I may proceed for no more than 10 minutes.

The PRESIDING OFFICER. The Senate is in morning business and the Senator is recognized for 10 minutes, without objection.

TAXPAYER BILL OF RIGHTS 2

Mr. PRYOR. Mr. President, over the past several years there has been a very extensive debate over ways to achieve more fairness for taxpayers, especially small taxpayers, through reform of our tax system. Proposals are most often very complex and sometimes extremely partisan. But there is one simple, inexpensive, and I must say unanimously-agreed upon legislative package that helps make paying taxes fairer to the taxpayer. Mr. President, we call this proposal the taxpayer bill of rights 2, which passed the Senate by unanimous vote on Thursday evening.

I am very proud we passed this particular piece of legislation by unanimous consent. The passage of this important piece of legislative work is the culmination of over one decade of dedication to its philosophy.

Many of our colleagues in the Senate today were not here in 1988 when Congress passed, and President Reagan signed into law, the very first taxpayer bill of rights. That bill was the first ever comprehensive piece of legislation enumerating the rights of the American taxpayer. For example, in the taxpayer bill of rights 1 provided:

First, the right of the taxpayer to be informed of their respective rights;

Second, the right of the taxpayer to rely on written advice of the Internal Revenue Service;

Third, the right of the taxpayer to representation; and

Fourth, the right of the taxpayer to recover, for the first time, civil damages and attorney's fees from the Internal Revenue Service.

These and other basic, commonsense provisions were codified by the first taxpayer bill of rights. The battle waged by a strongly bipartisan coalition for their codification was hard-fought, and their ultimate enactment was a first giant step for the American taxpayer.

But, since 1988 Mr. President, we have learned much about the Internal Revenue Service and the needs of taxpayers. Now is clearly time to more fully develop and expand those particular rights. With Thursday's passage of the taxpayer bill of rights 2, we have taken a very significant step forward, treating taxpayers more like customers.

This step follows the efforts taken in 1988 with the enactment of the first taxpayer bill of rights.

In 1992 I first introduced the taxpayer bill of rights 2 with considerable bipartisan backing of some 52 of our colleagues on each side of the aisle. The bill passed Congress twice that year. It was ultimately vetoed because it was included as part of two large tax bills with which President Bush did not agree. Since these two bills were vetoed at that time, the Senate has not considered taxpayer bill of rights 2 on its own merits until this past Thursday. In making its way to the Senate, this very important piece of legislation passed the House of Representatives by a unanimous 425 to 0 vote. I applaud the action of the House of Representatives, and I am proud that this Thursday, because of a strong bipartisan coalition, the Senate has now followed suit by unanimously passing taxpayer bill of rights 2.

I am also proud to say I have had the privilege and honor of working very closely with my colleagues in the Senate. Senator CHUCK GRASSLEY, of Iowa, has been a strong champion for years of increasing taxpayers' rights. He has been, certainly, a grand ally in this long fight. Senator HARRY REID, from Nevada, has also been a strong advocate for giving additional rights to the taxpayer. He has been a strong advocate and supporter of taxpayer bill of rights 2. In fact, the very first speech that Senator REID made on the floor of the U.S. Senate, shortly after his election, related to the necessity and the need of having a taxpayer bill of rights.

I look forward to President Clinton signing this very important bill in the days ahead. The taxpayer bill of rights 2 builds on a foundation laid by the original taxpayer bill of rights. It protects taxpayers by requiring the IRS to achieve higher standards of accuracy, timeliness, and fair play in providing taxpayer service. It makes the Internal Revenue Service accountable.

The taxpayers bill of rights 2 achieves these new standards through 27 new provisions—27 new protections for the American taxpayer, as a result of the passage of the taxpayer bill of rights 2.

First, expansion of the authority of the taxpayer advocate to prevent hardships on taxpayers;

Second, creation of small taxpayers' rights to an installment agreement, and further rights when installment agreements are denied or terminated are specifically spelled out to benefit the taxpayer;

Third, the expansion of the reasons for which the IRS must abate interest when it has delayed a taxpayers' case, and for the very first time in our history, a grant of authority to the courts of the power to review the interest abatement determination;

Fourth, an increase in the amount a taxpayer can recover in civil damages from $100,000 to $1 million, when the Internal Revenue Service or an agent thereof has acted negligently or recklessly in the taxpayer's case;

Fifth, provisions strengthening the code so the taxpayer may recover out-of-pocket costs;

Sixth, rules prohibiting the Internal Revenue Service from issuing retroactive proposed regulations unless the Congress provides otherwise.

Mr. President, the taxpayer bill of rights 2 contains many more commonsense provisions, designed to safeguard the rights of taxpayers. Taken together, these provisions will work to restore more faith in our system of taxation. It will provide more protection for the taxpayer in dealing with the Internal Revenue Service.

I truly believe that in the long run, this very important, bipartisan legislation will help bolster taxpayer confidence in dealing with the Government by ensuring taxpayers that they are going to get fair treatment by the tax collector, the Internal Revenue Service.

Mr. President, in closing, I would like to this morning pay a very, very special tribute to a fine gentleman who has worked for years to make certain that the taxpayers' bill of rights No. 2 became the law of this land. This fine gentleman is Steve Glaze. He is a member of my staff. He sits to my left at this moment on the floor, and I can say without reservation that without Steve Glaze's constant help and support, his inspiration many times when we thought the taxpayers' bill of rights 2 would never see the light of day and never become law, Steve Glaze was always that optimistic individual, knowledgeable, inspired and committed to making certain that the American taxpayer got a fairer break.

So, Mr. President, I thank my very worthy staff member, Steve Glaze, for his magnificent contribution to this bipartisan piece of legislation.

I thank the Chair, and I yield the floor.

The PRESIDING OFFICER. Who seeks recognition?

Mr. DOMENICI addressed the Chair.

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

Mr. DOMENICI. Mr. President, I understand morning business will be completed at 11 o'clock. I will attempt to keep my time to that. If you will advise me when the time is up, I would appreciate it.

The PRESIDING OFFICER. The Senator is correct. Morning business does expire at 11 o'clock. The Chair will advise the Senator.

Mr. DOMENICI. I had contacted Senator THURMOND about the last 5 minutes, and he is not coming, so that is why I am using his time.

FOREIGN OWNERSHIP OF U.S. TREASURIES

Mr. DOMENICI. Mr. President, while much attention has been given to the trajectory of our budget deficit in recent months, very little has been said about how we are financing this deficit. I think this latter point is crucial because there are some very troubling trends in the ownership of U.S. Treasuries which could spell trouble down the road.

Foreign ownership of U.S. Treasuries has surged in the last 3½ years. As a percent of the total private holdings, this ratio soared from 19 percent in 1992 to 25 percent by 1995. To put this in perspective, foreign treasuries and their holdings held within a fairly stable, and narrow range of 15 to 20 percent during the 12 years previous to 1992.

Some may argue that this recent rise is not worrisome. Indeed, we should be grateful, some would say, for foreign participation. However, this ignores two very key facts.

One, this money must be paid back with interest at a future date, and interest payments abroad are an unambiguous loss to American incomes. This is not the case with interest paid to domestic residents and domestic institutions. As such, continued purchases of Treasuries amount to mortgaging away our future standard of living a little bit at a time.

The second reason is that it is usually a bad sign to see a country find itself predominantly with foreign central bank money, because when they buy our Treasuries, they lend us their money. So it is usually a bad sign to see a country find that a foreign central bank is a predominant lender of money to us.

This usually bespeaks a lack of sufficient private investment and is a warning of unsustainable fiscal policies. Witness Mexico in 1995. That is why I view the first quarter's current data with such alarm. It showed that foreign central banks bought $55 billion in U.S. Treasuries from January to March of this year alone—$55 billion. That is nearly double the amount that central banks bought in all of 1994 and is over 80 percent of 1995's yearly total.

Let me put it another way. First quarter foreign official bond purchases amounted to 6.5 percent of the entire stock of foreign treasury holdings which had been built up over time. This goes a long way toward explaining why the treasury market was so resilient initially to the collapse of the balanced budget talks that we were having with the administration at the start of this year.

Why were central banks buying so many of our Treasury bills, so many of our IOU's? While some may have viewed United States debt as a good investment, the main player was the Bank of Japan. It was not buying our Treasury bills because it wanted to, but only did so to prop up the dollar and keep the yen weak as a way of aiding its ailing exporters and its banking sector.

The Bank of Japan has been forced into such defensive dollar buying ever since the Clinton administration forcibly devalued the dollar in 1993. Since 1993, the Bank of Japan's reserves have tripled from $69 billion, Mr. President, to $208 billion, underpinning our bond market with those huge quantities of purchases.

Since these reserves are held in dollars, this translates into a similar amount of treasury purchases. At present, these Japanese treasury purchases are very stable. The Bank of Japan cannot sell them without precipitating a fall in the dollar versus yen. However, once its banking sector reserves and its exporters adjust to the current yen level, there will be less need for the Bank of Japan to be buying Treasuries. Since the U.S. bond market has been accustomed to their steady purchases, this will come as a blow to the Treasury market of the United States. Indeed, we have already seen a mild example of what might happen when foreign central banks scale back their dollar purchases.

In April through June of 1996, official Treasury purchases were only one-tenth as large as in the first quarter. It was no accident that bonds fell sharply during this period, with the 30-year yield soaring from 6.6 to 7.2 percent.

The recent example stresses the importance of reducing the amount of U.S. debt issuance now. Only in this way will we be able to prevent a sharp future bond market selloff if foreign central banks scale back their enormous appetite for our securities, which appetite is not singularly predicated upon their confidence in us but, rather, in this case, the Japanese purchases are in their own self-interest for the time being, for they are attempting to effect the value of the yen versus the dollar their way.

When that all gets stabilized, who will fill the gap as they begin to dispose of these inordinate holdings of American Treasuries?

Mr. President, I yield the floor and thank the Senate for the time.

The PRESIDING OFFICER. Who seeks recognition?

Mr. DOMENICI. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. STEVENS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. GRAMS). Without objection, it is so ordered. The Senator from Alaska.

Mr. STEVENS. What is the pending business now?

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1997

The PRESIDING OFFICER. The clerk will report the bill.

The bill clerk read as follows:

A bill (S. 1894) making appropriations for the Department of Defense for the fiscal year ending September 30, 1997, and for other purposes.

The Senate resumed consideration of the bill.

Pending:

Stevens amendment No. 4439, to realign funds from Army and Defense Wide Operation and Maintenance accounts to the Overseas Contingency Operations Transfer Fund.

Mr. STEVENS addressed the Chair.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. STEVENS. Mr. President, my understanding as to the vote on the cloture motion that was filed last week, it has been temporarily set aside and could be called back by the leadership after notice to the minority; is that correct?

The PRESIDING OFFICER. The Senator is correct.

Mr. STEVENS. The Senator from Hawaii and I are now at liberty to proceed with the bill; is that correct?

The PRESIDING OFFICER. That is correct.