But the Marines have insisted that the increase is warranted. ''We don't ask for something unless it is truly needed,'' Marine Commandant Gen. Charles C. Krulak said in a letter to Grassley.

The Iowa Republican warned that other services will now be encouraged to request more admirals and generals, despite the military drawdown. ''This is just a small snowball rolling down a hill that is going to expand very rapidly the number of brass in all services,'' he said.

Last March, Adm. Frank L. Bowman, chief of naval personnel, told the Senate Armed Services Committee, ''I am convinced the Navy needs 25 to 30 more flag officers in order to have a manageable number of people to assign without having to rely on gapped billets or filling flag officer billets with senior captains.''

Yesterday, Capt. Jim Kudla, spokesman for Bowman, said the Navy proposal ''is not yet out of the hopper,'' but added that a number is under study in the office of Navy Secretary John H. Dalton.

The Navy, which this year has 428,000 officers and enlisted personnel, currently is authorized to have 216 flag officers plus four more allowed by the Joint Chiefs of Staff. That is down from a total force of 535,000 in 1990 when it had 256 admirals.

Under current plans, Navy personnel will go down to 395,000 by late 1998 and level off there. Nonetheless, according to Bowman, the Navy's increase in admirals is justified because ''I believe we went too far in flag officer reductions in the Navy. We are feeling the pinch.''

In 1990, then-Defense Secretary Richard B. Cheney and his chairman of the Joint Chiefs of Staff, Gen. Colin L. Powell, agreed that as they reduced overall service levels, they would as a ''matter of good faith'' look at cutting generals and flag officers ''proportional to the reductions in base forces,'' a former senior Powell aide said yesterday.

Since the main forces were being reduced by 25 percent, Cheney and Powell looked at cutting the number of generals and admirals by at least 20 percent. Powell argued that the military services were like a pyramid. ''You can't just cut at the bottom,'' the former aide said in describing Powell's position. ''You have to take some off at every level so it still had the proper shape to it.''

Powell regularly met with other members of the Joint Chiefs to have them ''pledge their commitment'' to the cuts which, the former aide said, ''were painful.'' Those chiefs have now retired and the services, starting with the Marines, have begun to relieve the pain, the aide added.

The issue has led to some tough back-room politicking while House and Senate conferees worked out their differences.

Recently, House and Senate aides said they had been told by Pentagon sources that Arnold L. Punaro, minority staff director of the Armed Services panel, aide to Sen. Sam Nunn (D-Ga.) for 23 years and a Marine Corps Reserve brigadier general, had masterminded the move. The sources, from other services, alleged that Punaro was preparing a billet for himself for next year after Nunn retires from the Senate.

Punaro, who had heard the rumor, reacted sharply to it.

''The new active-duty Marine Corps general officer positions have nothing whatsoever to do with my future,'' he said. ''I will remain a civilian when I leave my current position with the Senate Armed Services Committee.''

Committee sources said Punaro stayed out of the issue other than to sit in on briefings by Krulak in Nunn's office.

Mr. GRASSLEY. I will quote from the article:

As a matter of good faith, General Powell reportedly said, ''you have to look at cutting generals and flag officers proportional to the reductions in base forces.''

General Powell said the military services were organized like a pyramid. He said, ''you can't just cut at the bottom. You have to take some off at every level so it still has the proper shape to it.''

Mr. President, that is Colin Powell talking, and he should know something about how the military is supposed to be organized. Colin Powell says we should reduce the number of generals when the force structure is shrinking.

So why are we adding brass at the top when the force is getting smaller? Someone needs to provide an honest answer to that question. I have not heard one yet.

If we keep adding at the top and cutting at the bottom, pretty soon the military pyramid will lose its shape. We will have an upside-down pyramid.

Congress must not allow its decisions to be driven by interservice rivalry. There has to be a better way to determine the right number of generals.

On July 19, I wrote to the President, asking him to intervene in this matter. He is our Commander in Chief and needs to take charge and show some leadership.

I asked him to delay this decision until an independent review is conducted to determine how many general officer positions are needed, based on real military requirements. I have never received a response.

I am afraid he's been steamrollered by the generals, just like the Congress.

ILLEGAL DRUG TRADE

Mr. GRASSLEY. Mr. President, a few steps from this Capitol Building is a combat zone. In just a few blocks from here lies the killing ground that is one of the consequences of the illegal drug trade in this country. On average, over 400 people in Washington are murdered every year. That is roughly 60 lives lost per 100,000 population. The national average is 6 per 100,000. That makes Washington the Nation's murder capital. Those casualties, the lives lost and maimed, occur in just a few neighborhoods. They are not spread out over the whole city. Much of this carnage is directly the result of drugs and the harm that they cause, a harm that falls disproportionately on a few neighborhoods.

Now, virtually every ounce of illegal drug you can buy within a stone's throw of here—and that is just about any drug you could want in any quantity you care to buy—is produced overseas. It is imported into this country. Washington is not on the border with Mexico. We don't grow poppies in ward 6 or coca in Anacostia. These drugs find their way here in commercial cargo, in motor homes, in peoples' stomachs. They fly, walk, drive, and float into this country every day in a thousand ways. That availability is killing us. But the story does not stop here.

The criminal thugs that bring drugs into this country are not philanthropists. They are in the business to make money. And lots of it. That's why they come to the world's largest emporium. And they do well. But that leaves them with the problem of what to do with all the loot: how to turn all that dirty money into nice, clean cash. To do this, they exploit our banks and business. They smuggle cash out in bulk. They use our electronic highways.

As the Center for Technology Assessment noted last year, our ''Financial institutions and their wire transfer systems provide the battleground to control money laundering.'' Criminal gangs employ a thousand techniques that fertile imaginations—the best that money can buy—can devise. They do all of this in defiance of our laws, in vicious contempt for common decency. And when these sorry riches find their way into secure havens, they are then used to corrupt and intimidate individuals, institutions, and whole governments. The vicious cycle is complete and begins again.

These criminal gangs, to push their drugs and launder their millions, make use of the very same systems that are the sources of our prosperity. They smuggle drugs in and they sneak the cash out. They exploit our financial processes and our commercial mechanisms to do this. We must not permit this to happen. There in lies our dilemma.

On the one hand, we must decide on those policies and practices that will most effectively facilitate our trade and finance. We must do this in order to sustain our continued prosperity and competitiveness. On the other hand, we must decide how best to discourage the criminal exploitation of our financial systems and our commercial arrangements. This clash of interests is no easy problem to deal with, but deal with it we must.

Unfortunately, this country has a major drug problem. As it is in virtually every other area of economic activity, the United States is the world's largest market for illegal drugs. Americans have more money and more time than do many other people. This means that every entrepreneur in the world is out to make it big in the U.S. market. Some of the most skilled, intelligent, and ruthless of these entrepreneurs are drug traffickers.

We are not dealing here with mom-and-pop operations. We are dealing with well-financed, international business enterprises with a global reach. They are sophisticated and dangerous. Let there be no mistake, the criminal organizations that traffic in drugs or other illegal goods are among the most significant threats to our well-being that we currently face.

The major international criminal organizations—based in Asia, Europe, Africa, and Latin America—now dispose

of economic resources that enable them to defy local and international law. They are richer than many countries. They are ruthless, and they are remorseless. Either through a process of threat and intimidation or by bribery and financial manipulation, they are able to challenge the authority of governments. They are able to undermine the integrity of public and private institutions. Where they cannot suborn they subvert. Where they cannot corrupt they kill.

The rollcall of countries currently facing direct and serious challenges from these groups is disturbing. Today criminal gangs in Russia, China, Italy, Nigeria, Mexico, and Colombia openly operate or have been able to penetrate into the depths of the political, social, and economic systems in those countries. Many smaller countries, without the range of resources available elsewhere, are simply overmatched and outmaneuvered in trying to enforce their own sovereignty. In some cases, criminal penetration has become so serious that it raises questions about the future stability of the country in question. There is growing concern about the ability of many governments, often deeply penetrated by criminal corruption, to respond meaningfully—if at all—to these criminal gangs.

In addition, banks and businesses pay out billions of dollars every year, directly or indirectly, to these same criminal gangs. Whether in protection money or in losses suffered from sophisticated scams. Whether in extortion or swindles, individual businesses and national economies are routinely ripped off, to the tune of billions of dollars annually, by ruthless criminal thugs.

The cost of their activities are not paid out just in the crimes that they commit. They also exact a cost in terms of trust. They undermine good faith. When left unchecked, they pervert the very ideas of a free market. The bleed public establishments of public support. They threaten democratic institutions and the social, political, and economic circumstances that must sustain those institutions. We can see that process at work in Colombia, and Russia, and next door in Mexico. But the problem does not stop here.

In this country, these criminal gangs daily kill and maim more Americans than have suffered at the hands of terrorist bombs. They have done more damage to our social fabric and well-being than has any rogue political leader in Libya or Iran. They have caused more real harm in a day than all the illegal videotapes produced in China. Through the drugs that these scoundrels make and sell, they sow havoc in our homes and neighborhoods, on our streets, and in our clinics.

We must take the steps necessary to ensure that our citizens are secure from harm and that the very processes of our well-being are protected from abuse. We must ensure that the free-trade highway does not become an expressway for drug smuggling. We have to ensure that banking without borders does not become an opportunity for banking without conscience. But how to do that without smothering legitimate activity? We must devise the means to disrupt criminal enterprise without destroying free markets. We must ensure effective international cooperation and yet work with countries often incapable of taking effective action. We must lead, but we cannot succeed without cooperation.

That is what this hearing is about. We must look at what we are doing and what we can do better. We need to consider what works and what does not. We need to cast a critical eye on our actions and those of our allies and friends to determine what more we can do. I am concerned that our policies are not up to the task. I am concerned that we have put our priorities in the wrong places. Frankly, we have a long way to go and a lot of work ahead of us. More kids are starting to use drugs. We are seeing more calls for legalization. We have dropped the ball on fighting back.

In the meantime, the criminals are getting richer and more sophisticated. As we face 21st century thugs, we need 21st century G-men. We need to be smarter and faster. We need to be focused and consistent. As one Treasury official put it, money laundering is a ''crime hidden in the details of legitimate commerce.'' The same is true for smuggling. The devil is in the details. It is the details that we want to get at. It is how to respond effectively to the details of these criminal activities that we must address in our policies.

THE NET EFFECT

Mr. GRASSLEY. Mr. President, the Congress is now engaged in the business of passing a budget to fund this Government for another year. This process is one of the most important pieces of business that this body engages in. In discussing where and how and for what we spend the public's money on public business in the public interest is one of the most compelling stories of government. I wish that more of our fellow citizens watched the debates on this floor as we argue among ourselves on their behalf how best to spend their hard earned dollars. It is an important lesson in civics. It is a course in practical politics, on how real differences on important matters of substance are resolved. It is sometimes not an elegant process but it is one of the critical features of democratic government.

One of the most inelegant parts of the process, is the fact that legislating budgets is not coherent in the sum of its parts. We divide our budget consideration into many pieces. It's the only practical way to deal with the problem of how to spend money. This means, however, that money and the politics that it is spent on is similarly considered in its many parts, not as a whole.

Rarely, legislatively, does a program receive strategic or comprehensive consideration that combines all the elements. Doing that is typically one of the responsibilities of the executive branch. We look to the administration to present the comprehensive plan, to integrate all the pieces into meaningful policy. It is Congress' role to ensure that the net results are what is intended. That the money is buying what it is meant for.

We may not always agree with how things are put together, but a dialog on our disagreements is how a democracy makes up its mind. This process, however, does not lend itself to central direction. Congress may, through the oversight process, seek to encourage cohesiveness. It may, through legislation, require strategic thinking. But, while you can lead an administration to water, you cannot necessarily make it take the plunge. You cannot give it coherence. You cannot supply a vision that is wanting, a conviction that is simply not there. You cannot enforce wisdom. When these are lacking, Congress is not always the best body to provide uniform direction. It is, however, bound to try.

That is the situation we face now is so many areas of our international policy. Things are drifting. There is no coherence, no vision. And, sometimes, I wonder about the wisdom behind what passes for policy. This is painfully clear in looking at our drug policy.

I have spoken a number of times about the incoherence in our present efforts. I have documented, recently, the consequences of these failed policies for drug use in this country. Unless we simply do not expect our policies to make any difference. Unless we are committed to the idea that we spend the public's money for the heck of it. Unless we believe that words are meant to substitute for results. Then, we cannot look at our current efforts and the trend in youthful drug use and conclude that what we are doing is working.

Simply put, the present strategy from this administration on drugs is a failure. It has been a failure from the beginning. The most recent effort at a written strategy, while an admirable attempt by the new drug czar, is thin. It lacks substance. It has no measurable standards of performance. It contains little new. It has few measures of success. Even more disappointing, the administration has been noticeably invisible on the Hill in defending its own programs. This, also, is not new. Even in the Democratic-controlled Congress, the administration largely left the drug program to fend for itself.

This under-supported policy was also the program that the administration took to the public. Its most remembered hallmarks are ''I didn't inhale'', and the Surgeon General's call for serious consideration of legalization. Hardly substitutes for ''Just Say No.'' The consequences were vanishing interest