Oh, I know that the Republicans have another bill that addresses this issue—but why not include it in the right context—welfare reform?

Yes, I have read the Personal Responsibility Act, and I find it wanting.

I hope that the entire House, on both sides of the aisle, will consider the plight of the welfare mother, and the welfare father as well, not as a pest that is to be eradicated, but as a symptom of our failure to provide the hand up that will enable them to get that job and raise their children in dignity and safety.

□ 1530

The SPEAKER pro tempore (Mr. LINDER). Under a previous order of the House, the gentleman from Pennsylvania [Mr. CLINGER] is recognized for 5 minutes.

[Mr. CLINGER addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

INVESTMENT IN PUBLIC INFRASTRUCTURE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from West Virginia [Mr. WISE] is recognized for 5 minutes.

Mr. WISE. Mr. Speaker, next week the House will most likely take up the balanced budget amendment to the Constitution. This is not an argument for or against the balanced budget amendment. I have supported versions of it in the past. It is an argument, though, an appeal that this House consider the role of investment in many of the economic decisions that it must make in the upcoming months, investment particularly in our public infrastructure. Because many have said that they feel that there needs to be a balanced budget amendment to the Constitution because the Federal Government ought to have to balance its budget like families do. That is a fair analogy. Families do balance their budgets. But we also know that families borrow because there are certain things that they know they need and they consider capital investment.

We all, most of us at least, borrow to buy or build a home. Very few of us can afford to lay out in one year what it costs for this kind of investment. So we figure into our monthly budgets at home how much we have to take out in debt service, in that mortgage payment. That is reflected in our family budget.

We usually borrow for a car. Very few of us, particularly with today's prices, can afford a car, to pay for it cash on the barrel head.

We borrow for probably the most important investment that a family will make, and that is the family's children's education. We know that that is the ticket to success for families in this country. And so American families borrow for that. So there is borrowing that occurs for the mortgage, for the car, for the college education. We know that we get into trouble if we borrow for consumption, to borrow to go to the grocery store, borrow to buy the toys, borrow to go to a game, for instance, borrow for leisure or recreation. So what families do is they put together their family budget with their basic expenses and then they put together as well in that budget the debt service to, against the debt service to cover the cost that they have to borrow for long-term capital expenditures.

I wish the Federal budget did that. It does not. What the Federal budget does instead is to not recognize that one dollar is not the same as another dollar. The Federal budget does not make a difference between the dollars spent for infrastructure for a road or bridge and the dollars spent in immediate consumption. And so what I have urged, and many others, last year, the gentleman from Pennsylvania [Mr. CLINGER] and I cosponsored a bill that would permit capital budgeting for physical infrastructure for the Federal Government.

My hope is that in the discussion of the balanced budget amendment and in the discussion of the various economic moves, economic policies that this country will adopt, in the discussion of budget policy, that we recognize this key role in investment. The fact of the matter is that this country has seen a decline in public infrastructure investment and correspondingly has seen a decline or a flat line at least in productivity increases.

A chart I saw yesterday was quite illustrative. Of the seven major industrial nations in this world, the United States trailed in productivity gains over the past decade and yet also trailed in investment in our public infrastructure as a percentage of gross domestic product.

In other words, the more a country has put into their public infrastructure, their roads, their bridges and so on, the more they gained in productivity increase, almost direct correlation.

It makes sense, but it also is being borne out now by statistics. And so that this is a necessary factor.

Some argue you do not need a capital budget for the Federal Government because physical construction, roads and bridges and so on, is such a small part of the budget. That is a self-fulfilling prophecy. It is that because we have made it that way. And one reason is because our accounting system does not reward investment.

Mr. Speaker, I yield to the gentleman from Hawaii [Mr. ABERCROMBIE].

Mr. ABERCROMBIE. Mr. Speaker, would the gentleman agree, for those of us who have served in State legislatures, who have served on county councils, who have dealt with budgets at the local level and the State level, that members of county councils, boards of supervisors, State legislators are used to dealing with a capital budget and an operating budget.

Mr. WISE. I thank the gentleman for making the point. He is absolutely correct. In my understanding, every State has a form of capital budget, every county, every State and local government, of course, as well as every business.

Mr. ABERCROMBIE. Would the gentleman further agree, for the enlightenment of those who may be listening in or observing our proceedings and trying to very sincerely take into account the implications of the balanced budget, that in their own local districts, in their own local areas, that over the years, whether through revenue-sharing programs or grant programs, demonstration programs.

Mr. WISE. I think I agree, but our time is up.

Mr. ABERCROMBIE. Thank you very much.

ON MEXICO

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. HORN] is recognized for 5 minutes.

Mr. HORN. Mr. Speaker, good relations with Mexico are essential for this Nation. Mexico now faces a crisis, a financial crisis. We are being asked by the administration to authorize a $40 billion loan guarantee in order to cover the run which has occurred on the peso.

Mr. Speaker, I would like to include the column by Paul Gigot that appeared in last Friday's Wall Street Journal: ''On Mexico, U.S. Firemen Play With Matches.'' I think it outlines what has happened in the administration's thinking over the last several weeks, and I think it is essential to the facts of this case.

[From the Wall Street Journal, Jan. 13, 1995]

ON MEXICO, U.S. FIREMEN PLAY WITH MATCHES

Maybe President Clinton is lucky that Washington is transfixed by Newt Gingrich. It means no one's noticed how his administration has botched the biggest foreign crisis of his presidency.

That crisis is in Mexico, which only last year he could tout as a foreign-policy success. Nafta has been his singular triumph, at home or abroad. Now the collapse of the peso has tarnished even that good news, with wider fallout than anything that's happened in Somalia, Bosnia or even Boris Yeltsin's tumultuous Russia.

This week Mr. Clinton roused himself from his Tony Robbins tapes to assert that he is ''committed to doing what we can to help Mexico.'' This, plus a promise of more U.S. cash, helped to calm financial markets through yesterday, though only after two more days of market carnage in Latin America.

We can hope the worst is over, but the peso remains some 35% below where it was before its December devaluation. In human terms, this means that what used to be a dollar of Mexican purchasing power now buys only 65 cents; expect more Mexican sons and daughters to arrive in San Diego soon.

In political terms, Mexico's crash has begun an ebb tide in global confidence, threatening other currencies, raising doubts about stability in Mexico and inviting Nafta-bashers to stage a comeback. It has also cost American mutual-fund holders billions of dollars. All in just three weeks.

While Mexico's new Zedillo government made the awful call, the Clinton team can't escape blame. At its best the U.S. should be the world's financial fire department dousing crises before they get out of control. This is especially true for Mexico, where turmoil ends up on our front porch. Let's examine Clinton crisis management:

Fire Prevention. It's now clear the peso ran into trouble after the U.S. Federal Reserve abruptly tightened money last year. With the peso pegged to the dollar, Mexico's central bank should have followed suit. But in the middle of an election campaign, it printed pesos instead of mopping them up.

U.S. officials never turned on their Mexican smoke detector. That's the job of Larry Summers, the Treasury international aide who is to humility what Madonna is to chastity. He has more to be humble about now.

Firefighting. The U.S. can't seem to find the hydrant, much less the fire hose. At first, on Dec. 20, Treasury even blessed devaluation; its press release said a cheaper peso ''will support the healthy development of the Mexican economy.''

Two days later amid market chaos the Clinton Treasury was less thrilled, offering a $6 billion credit line to Mexico while asserting that its ''economic fundamentals remain sound.'' Thus reassured, markets again whacked the peso. This earned them a Dec. 27 lecture from Mr. Summers about ''excessive depreciation,'' which didn't work either.

So on Jan. 3 Treasury increased its credit line to $9 billion, only to see markets raise the bar again until Mr. Clinton promised even more money this week. To be fair, Treasury was vacant at the top, awaiting new Secretary Robert Rubin. But that doesn't explain State, where Warren Christopher is rumored to still be in charge.

The same tail-chasing has taken place at the International Monetary Fund, which is supposed to be the lead fireman. On Dec. 22 it too endorsed devaluation—which it called, in IMF-speak, a mere ''exchange rate action.''

But after markets pummeled the peso, IMF boss Michael Camdessus took his turn as King Canute lecturing the financial tides. ''The depreciation of the peso is bigger than justified by economic conditions,'' he said on Jan. 3, only to see the peso take another pasting.

Playing With Matches. While incompetence explains a lot, economic policy may explain more. Clinton firemen didn't anticipate the financial firestorm because they've got nothing against devaluation.

Like Mr. Summers, both IMF first deputy managing director Stanley Fischer and the Fed's Ted Truman favor devaluations to correct current account deficits. While history shows this almost never works, these three amigos were undeterred.

Before Mr. Clinton installed Mr. Fischer at the IMF, he was a professor at MIT calling for a peso devaluation. ''I don't have second thoughts.'' Mr. Fischer told me this week. So why the continuing peso rout? ''It's a puzzle,'' he replies, citing ''the fact that markets did believe there would not be a devaluation'' before it took place. Thus it may take a little longer to restore investor confidence in Mexico, he says.

He's certainly onto something there. As hard-money economists understand, a currency is a contract between the government and its people. When government betrays that contract, trust goes to zero. Especially if a government then compounds the problem by printing more money or imposing wage and price controls. Yet this is the Mexican policy the U.S. Treasury and IMF now endorses as a way out of the mess.

To cover up for these markets, the Clinton team is now seeking a multi-billion dollar loan guarantee for Mexico from Congress. This certainly puts Republicans on the spot, since they won't want to be blamed for further turmoil in Mexico but can expect attacks from their populist right.

If Republicans cooperate, their price in policy, and maybe personnel, deserves to be steep. Hearings would be educational, especially a panel featuring the three amigos of devaluation. Any taxpayer money that goes to Mexico might be deducted from the IMF's next replenishment. Helping a neighbor in need makes sense; subsidizing bad advice is crazy.

That issue will soon be coming before this House and the other body. There are two conditions that are absolutely essential on that loan agreement, if this Representative is to support it.

To the average citizen, $40 billion is a lot of money. And it is also to the average Member of this and the other body. It is essential that American interests also be protected while we are trying to help our friend and neighbor to the south, the Government and people of Mexico.

It is essential that Mexico begin to help us at our border on their side of the border. Every night in the 20-mile sector of San Diego, CA, 2,000 illegal aliens come over the border. Most of them are from Mexico. Some are coming over both the Canadian and the Mexican border and arriving and smuggled in on the east and west coasts, they come from 49 other source countries, in Asia, in Africa, South America, Central America, and North America, and Eastern Europe, among others.

☐ 1540

Therefore, the Mexican Government needs to help us at our border, and they should tighten up their border going north as much as they tighten up their border with Guatemala for people going north.

Second, Mr. Speaker, the Mexican Government should agree to what I have described last year, and this year as an agreement on the Criminal Alien Transfer and Border Management Enforcement Act of 1995, where we would help train the Customs officers, the Border Patrol officers, the Border management officers from their country with those in our country, if they agree that the criminal aliens—illegal criminal aliens who are convicted in the State and Federal courts of the United States—would be able to serve out their sentences in the country from which they illegally came.

Mexico provides about 50 percent of the illegal immigrants to this country. However, other countries in Latin America are also substantial in the numbers that are sent to the United States. It is essential that we have that provision, because right now the incarceration of the illegals is costing American citizens, taxpaying American citizens, billions of dollars.

These are underestimates, but the Federal Bureau of Prisons estimates that $1.2 billion a year is being spent to house illegal aliens. The State of California estimates that $350 million a year is being spent to house illegal criminal aliens in our prisons after they have been sentenced by the courts of California. $350 million for California! $1.2 billion nationally!

We need to grapple with that, and we need to have this exchange of prisoners convicted in the United States. I would hope my colleagues would agree, and as I have said, I cannot support the proposed loan agreement unless it takes into account the conditions of this country in this area which have been long overlooked.

Mr. VOLKMER. Mr. Speaker, will the gentleman yield?

Mr. HORN. I am glad to yield to the gentleman from Missouri.

Mr. VOLKMER. Mr. Speaker, I want to commend the gentleman for his statement. I also would like to inquire of the gentleman, there have been published reports, and I can't remember whether it was last night or this morning on one of the television stations, the honorable gentleman from Iowa who is chairman of the Committee on Banking and Financial Services used words, and I'm not going to try and quote his exact words, but words to the effect that if the Democratic Members did not desist from speaking out on the Speaker's book deal, that he would be loathe to bring the bill to the floor, the bailout bill for Mexico to the floor. Is that correct?

Mr. HORN. I have never heard of that until just now.

THE PLANNED MEXICAN BAILOUT INVOLVES BACK ROOM DEALS AND BUSINESS AS USUAL

The SPEAKER pro tempore (Mr. LINDER). Under a previous order of the House, the gentleman from Oregon [Mr. DEFAZIO] is recognized for 5 minutes.

Mr. DEFAZIO. Mr. Speaker, many seem to think that the $40 billion bailout of Mexico has gone from the business page to the obituary page. If only that were true. We need very much to be on our guard and watch out.

As I speak here on the floor, all across this Capitol and around Washington backroom deals are being cut to put American taxpayers on the line to bail out investment houses on Wall Street, banks, and other speculators that were very lucratively involved in the Mexican market. They were getting 20 percent and more interest.

Don't you think maybe if someone is paying you 20 percent interest or 25 or 30 percent interest, there is a little bit of risk that flows with that investment? Wall Street doesn't think so, nor do other speculators. They think the American taxpayers should bail them out.

Of course, they are not going to give us any of the 20 or 25 percent interest that they collected, thank you very much. They want it all.

Whose money is at risk? Whose money is at risk? A very, very senior administration official yesterday, in a closed door meeting of the Democratic