

Excessive partiality for one foreign nation and excessive dislike for another, cause those whom they actuate to see danger only on one side, and serve to veil and even second the arts of influence on the other. Real patriots, who may resist the intrigues of the favorite, are liable to become suspected and odious; while its tools and dupes usurp the applause and confidence of the people, to surrender their interests.

The great rule of conduct for us, in regard to foreign nations, is, in extending our commercial relations, to have with them as little *political* connection as possible. So far as we have already formed engagements, let them be fulfilled with perfect good faith:—Here let us stop.

Europe has a set of primary interests, which to us have none, or a very remote relation. Hence, she must be engaged in frequent controversies, the causes of which are essentially foreign to our concerns. Hence, therefore, it must be unwise in us to implicate ourselves, by artificial ties, in the ordinary vicissitudes of her politics, or the ordinary combinations and collisions of her friendships or enmities.

Our detached and distant situation invites and enables us to pursue a different course. If we remain one people, under an efficient government, the period is not far off when we may defy material injury from external annoyance; when we may take such an attitude as will cause the neutrality we may at any time resolve upon, to be scrupulously respected; when belligerent nations, under the impossibility of making acquisitions upon us, will not lightly hazard the giving us provocation, when we may choose peace or war, as our interest, guided by justice, shall counsel.

Why forego the advantages of so peculiar a situation? Why quit our own to stand upon foreign ground? Why, by interweaving our destiny with that of any part of Europe, entangle our peace and prosperity in the toils of European ambition, rivalry, interest, humor, or caprice?

It is our true policy to steer clear of permanent alliance with any portion of the foreign world; so far, I mean, as we are now at liberty to do it; for let me not be understood as capable of patronizing infidelity to existing engagements. I hold the maxim no less applicable to public than private affairs, that honesty is always the best policy. I repeat it, therefore, let those engagements be observed in their genuine sense. But in my opinion, it is unnecessary, and would be unwise to extend them.

Taking care always to keep ourselves by suitable establishments, on a respectable defensive posture, we may safely trust to temporary alliances for extraordinary emergencies.

Harmony, and a liberal intercourse with all nations, are recommended by policy, humanity, and interest. But even our commercial policy should hold an equal and impartial hand; nei-

ther seeking nor granting exclusive favors or preferences; consulting the natural course of things; diffusing and diversifying by gentle means the streams of commerce, but forcing nothing; establishing with powers so disposed, in order to give trade a stable course, to define the rights of our merchants, and to enable the government to support them, conventional rules of intercourse, the best that present circumstances and mutual opinion will permit, but temporary, and liable to be from time to time abandoned or varied as experience and circumstances shall dictate; constantly keeping in view, that it is folly in one nation to look for disinterested favors from another; that is must pay with a portion of its independence for whatever it may accept under that character; that by such acceptance, it may place itself in the condition of having given equivalents for nominal favors, and yet of being reproached with ingratitude for not giving more. There can be no greater error than to expect, or calculate upon real favors from nation to nation. It is an illusion which experience must cure, which a just pride ought to discard.

In offering to you, my countrymen, these counsels of an old and affectionate friend, I dare not hope they will make the strong and lasting impression I could wish; that they will control the usual current of the passions, or prevent our nation from running the course which has hitherto marked the destiny of nations, but if I may even flatter myself that they may be productive of some partial benefit, some occasional good; that they may now and then recur to moderate the fury of party spirit, to warn against the mischiefs of foreign intrigue, to guard against the impostures of pretended patriotism; this hope will be a full recompense for the solicitude for your welfare by which they have been dictated.

How far, in the discharge of my official duties, I have been guided by the principles which have been delineated, the public records and other evidences of my conduct must witness to you and to the world. To myself, the assurance of my own conscience is, that I have, at least, believed myself to be guided by them.

In relation to the still subsisting war in Europe, my proclamation of the 22d of April, 1793, is the index to my plan. Sanctioned by your approving voice, and by that of your representatives in both houses of congress, the spirit of that measure has continually governed me, uninfluenced by any attempts to deter or divert me from it.

After deliberate examination, with the aid of the best lights I could obtain, I was well satisfied that our country, under all the circumstances of the case, had a right to take, and was bound, in duty and interest, to take a neutral position. Having taken it, I determined, as far as should depend upon me, to maintain it with moderation, perseverance and firmness.

The considerations which respect the right to hold this conduct, it is not necessary on this occasion to detail. I will only observe that, according to my understanding of the matter, that right, so far from being denied by any of the belligerent powers, has been virtually admitted by all.

The duty of holding a neutral conduct may be inferred, without any thing more, from the obligation which justice and humanity impose on every nation, in cases in which it is free to act, to maintain inviolate the relations of peace and amity towards other nations.

The inducements of interest for observing that conduct will best be referred to your own reflections and experience. With me, a predominant motive has been to endeavor to gain time to our country to settle and mature its yet recent institutions, and to progress, without interruption, to that degree of strength, and consistency which is necessary to give it, humanly speaking, the command of its own fortunes.

Though in reviewing the incidents of my administration, I am unconscious of intentional error, I am nevertheless too sensible of my defects not to think it probable that I may have committed many errors. Whatever they may be, I fervently beseech the Almighty to avert or mitigate the evils to which they may tend. I shall also carry with me the hope that my country will never cease to view them with indulgence; and that, after forty-five years of my life dedicated to its service, with an upright zeal, the faults of incompetent abilities will be consigned to oblivion, as myself must soon be to the mansions of rest.

Relying on its kindness in this as in other things, and actuated by that fervent love towards it, which is so natural to a man who views in it the native soil of himself and his progenitors for several generations; I anticipate with pleasing expectation that in which I promise myself to realize, without alloy, the sweet enjoyment of partaking, in the midst of my fellow citizens, the benign influence of good laws under a free government—the ever favorite object of my heart, and the happy reward, as I trust, of our mutual cares, labors and dangers.

GEO. WASHINGTON.

UNITED STATES,

17th September, 1796.

BALANCED BUDGET AMENDMENT TO THE CONSTITUTION

The PRESIDING OFFICER (Mr. SANTORUM). The Senate will now resume consideration of House Joint Resolution 1, which the clerk will report.

The assistant legislative clerk read as follows:

A joint resolution (H.J. Res. 1) proposing a balanced budget amendment to the Constitution of the United States.

The Senate resumed consideration of the joint resolution.

Mr. HATCH addressed the Chair.

The PRESIDING OFFICER (Mr. KYL). The Senator from Utah [Mr. HATCH] is recognized.

Mr. HATCH. Mr. President, we are continuing the balanced budget amendment debate, and I am happy that we will have a final vote next Tuesday, the 28th—at some time probably later in the day that day, because we will be stacking votes following the 2:15 return from our weekly meeting breaks.

Mr. President, the proposed constitutional amendment will help us to end this dangerous deficit habit in a way that past efforts have not. It will do this by correcting a bias in the present political process which favors ever-increasing levels of Federal Government spending.

In seeking to reduce the spending bias in our present system—the unlimited availability of deficit spending—the major purpose of House Joint Resolution 1 is to ensure that, under normal circumstances, votes by Congress for increased spending will be accompanied either by votes to reduce other spending programs, or to increase taxes to pay for such programs. For the first time since the abandonment of our historical norm of balanced budgets, Congress will be required to cast a politically difficult vote as a precondition to a politically attractive vote to increase spending.

Section 1 of the proposed amendment would address the spending bias—unlimited access by Members of Congress to deficit spending—by requiring a three-fifths vote of each House of Congress before the Federal Government could engage in such spending.

Such a procedure would not prohibit deficit spending, but would simply reestablish, as a norm, a budget in balance rather than one in deficit. A consensus greater than a normal majority would be required to violate this norm.

Unless such a consensus exists, Congress would be bound in its spending by its available revenues and would be forced to account for new spending in one program or budget area by either reduced spending in another area or by increased taxes. The political advantages resulting from support for new spending then would be matched, at least to some degree, by countervailing political disadvantages.

Section 4 of the proposed amendment would reinforce section 1 and further link tax spending and tax raising by requiring both Houses of Congress to approve any bill to increase revenues by a constitutional majority. While section 1 would ensure, as a norm, that Federal spending is matched by Federal revenues, section 4 would ensure that such revenues are not raised without political accountability for Members of Congress. It would also make it less likely that the budget would be regularly balanced by increasingly high levels of taxation. This balanced budget amendment, then, is a spending limit/tax limit resolution.

As a result, House Joint Resolution 1 effects a subtle, but important, change

in the psychology of the budget process. Under the present system, each spending interest, in effect, competes with the taxpayers to raise the total ante in the Federal treasury.

Under a system, however, in which some form of spending ceiling is in effect, these same interests suddenly will be competing with one another in order to ensure themselves a certain portion of a fixed ante in the Federal treasury. Not only will spending interests have to convince Congress that their favored programs merit funding at a certain level, but they will, in addition, have to establish the priority of their programs.

A spending ceiling comprised of something beyond mere congressional self-restraint will force Members of Congress to view spending requests in terms of relative desirability, not simply in terms of whether or not a program is desirable at all, which is currently our rule. It is safe to conclude, I believe, that every program authorized by Congress is considered important and desirable, or it would not have passed into law in the first place. Presumably, we do not pass bills that no one wants at all.

The balanced budget amendment, however, will introduce an element of competition among the spending interests into the budget process. Congress will be forced to look at the whole spending pie, not just a piece of it.

In summary, the purpose of House Joint Resolution 1 is to eliminate a political process that allows Members to avoid having to vote for higher taxes in order to pay for higher spending and to establish a more genuinely neutral environment within which the budget competition occurs. The proposed amendment does not define what constitutes or what does not constitute a responsible budget, but only defines the institutional framework within which such budgets could be put together.

It is a necessary and appropriate step toward putting our fiscal house in order.

ACCOUNTABILITY

While it is true that much of the enormous growth in Federal Government spending over the past two decades may be a response to evolving notions of the role of the public sector on the part of the American citizenry—that is, a genuine shift in the will and desire of the people—it is my contention that a substantial part of this growth stems from far less benign factors.

In short, the American political process is defective insofar as it is skewed toward artificially high levels of spending, that is, levels of spending that do not result from a genuine will and desire on the part of the people. It is skewed in part because the people often do not have complete information about the cost of programs or about the potential for cost growth of many programs. It is skewed in this direction because of the characteristics of the

fiscal order that have developed in this country in recent decades. It is a fiscal order in which Members of Congress have every political incentive to spend money and almost no incentive to forego such spending. It is a fiscal order in which spending decisions have become increasingly divorced from the availability of revenues.

The balanced budget amendment seeks to restore Government accountability for spending and taxing decisions by forcing Congress to prioritize spending projects within the available resources and by requiring tax increases to be done on the record. In this way, Congress will be accountable to the people who pay for the programs and the American people—including the future generations who must pay for our debts—will be represented in a way they are not now. Congress will be forced to justify its spending and taxing decisions as the Framers intended, but as Congress no longer does. No longer can Congress just say yes to every special interest group and shove the costs onto our children or pretend that there are no costs. Every spending decision will be forced to compete with others and subjected to rigorous cost/benefit analysis.

Mr. President, this is the essence of responsible fiscal decisionmaking, and is the essence of the balanced budget amendment.

Mr. President, we have just heard the address of our first President of the United States, which we have read to us on an annual basis during the time we celebrate Washington's birthday.

I have to say, Mr. President, that that first President, as well as most all subsequent Presidents, would not believe what is going on today with regard to our taxing and spending policies. They would not believe that for 26 straight years, we have failed to balance the budget. They would not believe that we have put our country into almost \$5 trillion of debt, and they would not believe that a current President would have submitted a budget that has approximately a \$200 billion deficit for each of the next 12 years. They would not believe that we are spending and taxing the American people the way we are.

They expected that perhaps, during times of war or during times of severe recession or depression, that there might be some deficits run. But they never expected, at the Founding, that we would run deficits every year for 26 straight years, and for most of the last 60 years. I think some of them must be rolling over in their graves.

This is a chance for us—because the House of Representatives for the first time in history has passed a balanced budget amendment, essentially the same one that we called up in 1982 and 1986 and last year—to follow suit and for the first time in history submit a balanced budget amendment to the States for their ratification. It is worth

the effort. It is worth the pain. It is something we simply must do.

Eighty percent of the American people realize it. We just need 67 percent of the U.S. Senate to realize it and vote for it.

Mr. President, I urge my colleagues in the strongest terms to support this constitutional amendment to help us to restore sound government to the American people. I think it is the only way we are going to get there and it is the only way we can protect the future or even have a future of any great value for our children and grandchildren. We owe it to them.

This is an important vote. It is probably the single most important vote of this century. All we need are 67 of those who sit in this hallowed body to stand up and say, "We've had it. We've had enough. We're going to do something about it." It is a bipartisan resolution. It is a Democrat and Republican resolution. It has been hammered out between both sides. It is the first time in history we can do it, and we are going to do something about it. So I urge my colleagues to join with us in passing this balanced budget amendment on to the people in the States to ratify it as part of the Constitution.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. THOMPSON). Without objection, it is so ordered.

Mr. MOYNIHAN. Mr. President, I have some good news and good news for the Senate.

I can report—and I know that my distinguished friend, our President pro tempore in time and my very dear friend, the chairman of the Judiciary Committee, will want to know—that I have just returned from Phoenix, AZ, where I had the honor to deliver the Goldwater Lecture at Arizona State University. I can report that Senator Goldwater is in great spirits, thriving, active, and irreverent, as usual.

I do not want to get any politics into this matter, but just now it is the Republicans in Arizona who are mad at him. But, no doubt, those reversals will come and go, as they have always done in his wonderful long and still very creative life.

The other thing to say is that I gave the lecture on the subject of the matter before us, a balanced budget amendment, and trying to relate, as I have done on the floor earlier, the extraordinary achievement which we have had in this country and to a considerable degree the members of the OECD, the Western industrial nations, Japan, and others, in modulating to a degree that they have almost disappeared, those huge swings in the economy that seem to be destabilizing the industrial world.

Industrialism brought with it a business cycle which was baffling. People could not understand how one day everybody is at work and a year later everybody is out of work. And unlike the farm—where you are always working whether you are making much or you are starving or not—the unemployed were standing on street corners. The banks were closed, industries padlocked their gates, all sorts of symbolisms of trouble, disorder, instability, which indeed gave rise to hugely radical assertions about the need to change the very structure of property, of management, of the social order.

In a chart which I displayed for the Senate on Monday a week ago, I showed the real growth, the change of GDP that had taken place between 1890 and 1990. This data, Mr. President, is provided by the Department of Commerce, the Bureau of Economic Analysis, and the chart was prepared by the Joint Economic Committee.

It is striking the way in which economic growth goes up, crashes down; up, down; up, crashes down; swoops up, down.

In the period between 1890 and 1938, which we will call a half century, the real GDP dropped almost 5 percent on three occasions: in 1893, in 1914, and in 1938. The exact numbers: 1893, 4.89 percent; 1914, 4.4 percent; and 1938, 5.1 percent; the 1938 date being well remembered as the occasion in which President Roosevelt, the New Deal seeming to have revived the economy somewhat, crashed down again regardless.

Then on two occasions the GDP dropped almost 10 percent. In 1908 it dropped 8.2 percent; in 1921 it dropped 8.7 percent. Then in 1932, as we know, it crashed 14.8 percent and we went into the Great Depression, a period which put at issue the question of whether a liberal, capitalist economy could continue to exist. It was said that obviously it cannot. It cannot provide stability in the economy and cannot provide for its people.

I mention these occasions—three times we dropped 5 percent or near to, twice 10 percent, once 15 percent in a half century. We do not drop from a zero level; we go down from heights. So, for example, in 1893, we were growing at about 12 percent a year in GDP, and in an instant real growth has dropped below zero to 4.8 percent, a 15-, 16-, 17-percent plunge. It was known as the panic of 1893. People were thrown into the streets.

Then in 1908, for no reason that any person understood and nothing the Government could do—our Government was too small to make much difference in the affairs of the economy at large. We had no national banking system. The Reserve had not yet been created by Carter Glass in this Chamber. Of the great issue of the 19th century, of all the great issues we struggled with, the only one we never resolved in the 19th century was the issue of the banking system. So there was no Federal Reserve and no monetary policy. It took

a long time to get monetary policy, but we could not think about it until we had an instrument to do it.

There was also a big drop in GDP in 1946, but that was merely associated with the conversion from a wartime economy. We stopped building battle-ships, which are part of GDP, and down went the economy, and in no time you are building Chevrolets and up went the economy.

Now, the depression of the 1930's was the great trauma of American capitalism, of free enterprise, and all over the world political movements came to power that said it could not work; fascism in Germany; Leninism, Marxism, and similar movements pervaded every country, not least our own. Their common refrain: this system—capitalism—does not work.

If we could look at these swings, we could say there is a case to be made; human beings had never experienced this. But, if we could go back to millennia, we would see a rise and fall in the economic production associated with how good the crops were, did it rain, was it a wet spring. If the Mongols invaded, there was not much in the way of economic growth in Hungary that year. If the Black Death came along, it would have some effect, but not much. There was not much growth to begin with. Only with industrialism came great ups and downs, and people started saying that this will not work.

Then in the middle of the 1930's, the work which we associate with John Maynard Keynes was done which hit upon the key explanation of what was taking place. Classical economics held that "all markets clear." That, Mr. President, is a technical term. It means that whatever is offered for sale will be bought—at a price, not necessarily what the seller would wish. But, Mr. President, wages will drop, prices will drop, and markets will clear and there will be full employment and full utilization of resources.

Economists were able to show that not necessarily. We could reach an equilibrium in which a large public of men were out of work, a large number of plants closed, a large number of mines were not operating. What classical economics could not account for, suddenly, was explicable. We began, finally, to break the code of the business cycle. And it is a nice piece of information, if I may say.

The first use of this economics, which was associated with the idea of underconsumption, you had to stimulate consumption, first use was made in World War II when the problem was overconsumption. And price levels came down in World War II. In 1944, the inflation rate was 2.2 percent. Not bad. But Government controlled, to be sure. And then they broke up in 1945.

In 1946, with this information at hand beginning to be understood, beginning to be numerate, we started to be able to get numbers for these things. We did not know what the unemployment rate

was in the Great Depression. We took the unemployment rate in the census, decennial census. We took it in the spring of 1930, not much unemployment. In the spring of 1940, rearmament had begun, and in the official statistics there was no depression. But people knew otherwise.

The Employment Act of 1946 stated as the goal of the U.S. Government the full utilization of resources, fullest possible—meaning men and women entering the work force, meaning capital, meaning plant and equipment which was capital, and so forth.

The Council of Economic Advisers was established. In the early years the economic report of the President was a pretty thin volume, but they were getting the hang of it. By 1946 we had an unemployment rate which was published. We will have the economic report shortly now and we will see that the series as statistics begins in 1946.

May I interject here to offer the congratulations of the Senate, if I may so presume, to Dr. Tyson, who the President has announced will leave the position of Chairman of the Council of Economic Advisers and become head of economic policy within the White House, a position Mr. Rubin had until he became Secretary of the Treasury.

They began to work on this notion of countercyclical behavior by the Federal Government. They began to realize—as John Kenneth Galbraith has shown this in his work—when the 1929 stock market crash took place, the Federal Reserve had acted in a way to deepen the decline rather than to counter it, the idea of countercyclical spending.

I have said before on the floor, Mr. President, that in the early years, the problem that the economists faced, or thought they faced, and Presidents agreed and Congress pretty much agreed, was that the Federal revenues were too large in the early stages of the business cycle; that as the economy began growing, revenues grew. In those days, before we had indexed the Internal Revenue Code and the tax rates, why, they would grow very fast. Congress did not spend them quickly enough. And, indeed, there emerged a problem. The Kennedy administration was the first to deal directly with this question—or more correctly, problem—called fiscal drag. Because in 1958, there had been a recession which took growth just a tiny tick below, into a negative position, not 1 percent, but one-half of 1 percent. And then the recovery had begun.

But in 2 years, it stalled so that another tick—not the big crashes, smashes, panics but not quite what we wanted. President Kennedy's economic advisers said, "What do we do?" They concluded that we had to put in place some countercyclical spending. Then I was to be an Assistant Secretary of Labor for Policy and Planning Research. It is a moment we all remember in our lives, if it comes to us. On my first visit to the Oval Office, I accom-

panied Secretary Arthur Goldberg, and we had a proposal to raise the pay of Federal employees. The President said, "Good idea, we need that." And he also decided everybody should get at least \$100 a year. And we went on like that. It was very early on. We moved the date of the dividend of the Veterans Administration life insurance forward. Then we gave a double dividend.

Then Joseph Pechman at the Brookings Institution, in conjunction with Walter Heller, Chairman of the Council, proposed revenue sharing with the States. We proposed a tax cut and, Mr. President, it worked. We went right through. When Arthur Okun gave the last report of the Council under President Johnson, he said, "Look, 6 years of unbroken economic growth."

They should have tamped down the economy, given the inflationary effects of the Vietnam war spending. And, indeed, when President Nixon came into office, although I believe he had a balanced budget, he also had a recession. But that came out of that.

And George Shultz, his first Director of the Budget, in his fiscal 1973 budget said, "I am sending a full employment budget which will have a deficit, but the deficit will be the difference between what will be revenue at full employment and less than full employment." We were still stimulating.

So it went. We had one more tick in the seventies. Then in 1982, we had the only real decline in economic growth in the postwar period. Economic growth, GDP, gross domestic product, dropped 2.2 percent, one time in half a century. There was another slight tick in 1991. But again, just a tick. That had never happened before in the history of industrial societies. It is an immense achievement. It is not a Democratic achievement. It is not a Republican achievement. It is an achievement of applied analysis.

That is what is threatened. That achievement is what is threatened by this amendment to the Constitution. If it were a statute, I would not be spending my days on the floor. Statutes come and statutes go. This is the Constitution; the basic law of the land.

Mr. President, when I spoke last Monday, I recounted how in 1979, when there was a movement among the States to petition Congress to call a constitutional convention for this purpose, I had asked the then Chairman of the Council of Economic Advisers, Charles Schultze, a distinguished economist from the Brookings Institution, if he would run the numbers from the 1975 recession—a fairly serious recession, which President Ford had to live with—with a balanced budget amendment. He wrote me back to say the computer blew up; we had no countercyclical forces we could use, and so the hypothetical economy spiraled down to that equilibrium when there is a high rate of unemployment and a low rate of utilization of capital.

I mentioned also that we had simulated on our own on a back-of-the-enve-

lope sort of thing. Dr. David Podoff, sometime chief economist on the Finance Committee, more recently minority chief economist, using Arthur Okun's principles developed in the early sixties, estimated that if we had a 3-percent increase in unemployment, some exogenous event—Mexico goes to ruin, oil prices spiral, whatever—we could end up with a drop of GDP of 18 percent. That is a depression figure. That was last Monday.

I see the distinguished sometime once and future President pro tempore on the floor. I would like to report to him that in yesterday's New York Times, there is a report of a simulation made in the Treasury Department. I take the liberty of saying this on the Senate floor. I know where it was made. I know it came about in response to some of our arguments. And, Mr. President, the story, by Mr. Louis Uchitelle, an able reporter, is headed "The Pitfalls of a Balanced Budget. 'Dismantling a Decades' Old System for Softening Recessions.'"

Here is the interesting event. I just say that they have simulated the 1991 decline and say, with a balanced budget amendment, unemployment would have reached 9 percent. A laid-off worker who collected \$12,000 in unemployment pay might have received only \$7,000, and so forth.

Now, sir, I said earlier that the new economics, the learning we went through, was not a Democratic thing or a Republican thing. It was applied social science learning, a collective learning.

And so the fascinating thing is that Mr. William Hoagland, the Republican staff director for the Senate Budget Committee, and a very able public servant, is quoted as saying—he is in fact, the first person quoted:

There are risks associated with a balanced budget, and I don't think anyone should deny that. Nevertheless, the debate on the floor has been dominated by what we must do to get the budget in balance, not what the risks of a balanced budget amendment might be.

Mr. Hoagland expressed surprise that the biggest risk—deeper, more painful recessions—had not figured significantly in the debate—although the Senator from New York and my distinguished colleague from Maryland have called attention to this risk in several floor speeches.

This is Mr. Hoagland making the statement.

They go on to quote a whole series of economists, a sequence of economists saying, "Does not Congress know what it is doing?"

"Does it not realize what we have achieved?"

And now, Mr. President, as I have been talking here long enough, and I know others wish to speak, particularly the distinguished Senator from West Virginia, I said I came back from Arizona last evening with good news and good news.

First, the good news is that I gave the Barry Goldwater lecture at Arizona

State University. Senator Goldwater is in great spirits, good health, active, and being as much a torment to his fellow Republicans as to his fellow Democrats.

But the second event was on the way to deliver the lecture, the very able president of the university, Dr. Coor, picked me up at the hotel. We had about a 20-minute drive to the university, and I told him what I was going to say. He said, "Well, now, we all know that, don't we?" That we went through this great achievement of learning to break out; that capitalism did not disappear; it is the same; and it is not even questioned in the world by this new economics. He said, "Everyone knows that, surely. What's the problem with the Congress?"

Now, perhaps I do not want to put those words in his mouth per se. But he said, "What is the problem?" I had an idea, and I put it to him at the time. And I will say again, if I get one idea a week at this point, I feel that is a pretty good week. The idea is a very simple one: There are not enough people around old enough to remember what it used to be like. Sir, if you are under 60, you do not know anything about the economic world before we understood countercyclical financing by the Federal Government, before the Federal Government got the tools: It has to have a sizable budget. You have to have unemployment insurance, Medicaid, things like that, which automatically happen, a Federal Reserve that can take action. I said it has been in place so long that we forgot the pain with which it had to be put in place, the hard intellectual work, the accusations. To be a Keynesian was to be a Red, somehow. John Maynard Keynes was a liberal, sir. He was not a member of the Tory Party, nor a member of the Labor Party; he believed completely in the free market, private enterprise. He just wanted the free market to produce lots more goods and keep doing it.

Mr. LEAHY. Will the Senator yield for a question at that point?

Mr. MOYNIHAN. I am happy to yield.

Mr. LEAHY. Would the Senator accept the fact, however, that there are some Members in this body under 60 who at least understand the concept, if they have not felt the pain directly?

Mr. MOYNIHAN. Because they are learned Senators who have read their history.

Mr. LEAHY. Will the Senator yield further? And I am delighted to hear he was with my friend, Dr. Coor—

Mr. MOYNIHAN. Oh, yes.

Mr. LEAHY. Who served previously as president of the University of Vermont, and also with our mutual friend, of course, Senator Barry Goldwater, with whom we both had the opportunity to serve here in this body.

But I tell my learned friend and neighbor from New York something I just said to my dear friend from West Virginia, the senior Senator from West Virginia. A poll was taken very recently, in the last few days, in my

State of Vermont, where a majority of Vermonters said, "Yes, pass the balanced budget amendment." But then a very significant proportion said, "But we don't expect it to do anything."

I might say to my learned friend, because I listened to his discussions and I heard him lay out very much for the President of the United States at a small gathering a week ago that we should have a sense of history, probably the biggest sense of history we ought to have is that this country has amended the Constitution only 17 times since the Bill of Rights. We have done it very carefully. Now we have 60 or 70 proposals made in the last few weeks to amend the Constitution, all of which would fit nicely on a bumper sticker, none of which, I would add, would do anything to improve the greatest democracy in the world and many of which I feel would damage greatly this wonderful country.

I thank the Senator for yielding.

Mr. MOYNIHAN. I want to say, Mr. President, that the Senator has made a very important statement. When the painful process, the creative process of the economic system was taking place in the thirties, democracy was under assault the world over, and there were more than a few who had given up on it in this United States, and capitalism was thought to have been discredited forever; free enterprise was thought to be a selfish doctrine put forward by a privileged few, and full employment a nostrum of dreamers, idealists, and probably subversives.

Oh, what a time we had, and it was a close-run thing. I joined the Navy 50 years ago last July 1. I joined in the middle of a world war in which the forces we were contending against and with were as opposed to our system as any that ever existed in the world, and it was a close thing.

We have been going on about the *Enola Gay*. May I say to the Presiding Officer that the real issue was, was Hitler going to get that bomb first, because the people working on it here knew the people working on it there. And we knew what we could think up, they could think up. And the British destroying the heavy water plant in Norway may have made the real difference.

It was that close. Do you want to go back to that world? We could do it on this floor next Tuesday.

I see the distinguished Senator from West Virginia has risen.

Mr. BYRD. Mr. President, will the distinguished Senator yield?

Mr. MOYNIHAN. I am happy to yield, Mr. President. I yield, whatever.

Mr. BYRD. The distinguished Senator from New York is making a very important statement. He discusses the countercyclical forces that come into play automatically in a time of recession. The distinguished Senator from Vermont has stated that there are many people who say that we ought to vote for this amendment, but who privately tell him that it will not work.

It is a sad commentary—and there are those of our colleagues who say that we need this in the Constitution in order to give us discipline, in order to enforce discipline upon us—that statement is a sad commentary on the character of the elected officials of our country—

Mr. MOYNIHAN. Yes, sir.

Mr. BYRD. To say that we need a new constitutional amendment to enforce discipline upon us, so we will balance the budget.

This constitutional amendment will have been before the Senate 30 days come next Tuesday. That is the final day of decision. The amendment was passed in the House, I think, in 2 days.

Mr. LEAHY. I believe so.

Mr. MOYNIHAN. Two days.

Mr. BYRD. Two days! And there have been some complaints about the time that we have taken in the Senate to debate it.

My good friend from Utah, the other day—if the Senator may yield, Mr. President, without losing his right to the floor, to me?

Mr. MOYNIHAN. I am happy to yield.

The PRESIDING OFFICER (Mr. DEWINE). Without objection, it is so ordered.

Mr. BYRD. Our good friend, the Senator from Utah, stated that, essentially, there appeared to be some indications that there was a deliberate attempt to delay the vote. Well, there has been a deliberate attempt to delay the vote, in order that we can take time to explore this amendment and dissect it, probe into it carefully. But then there was some expression that it was obvious that this was now becoming a filibuster. Of course, anybody who knows anything about filibusters knows that this is not a filibuster. There are people in this town who would not know what a filibuster is if they met it on the street. But there is kind of a mental—there is a mindset here in this town, that if you discuss a bill 4 or 5 days, or a week or 2 weeks, then there is a filibuster. I thank God for the United States Senate! I thank God for the United States Senate!

If the Senator will be patient—because I do not want him to discontinue his statement in this very important subject area, which will be vitally affected if we were, God avert, to lose our senses to the point that we would adopt this constitutional amendment. When Rome, the western seat of the Roman Empire, fell in 476 A.D. and the German, Odoacer, deposed the impotent, unfortunate, diminutive emperor, whose name was Romulus Augustus, the center of authority moved to the eastern seat of empire, namely, Constantinople. In Constantinople, there was no independent Senate. There was no independent Senate to challenge the emperor's claim of authority over even the church and theology. When Justinian, in 532 A.D., ordered his top general, Belisarius, to massacre citizens of Constantinople during the Nika rebellion, Justinian—

Mr. MOYNIHAN. In the stadium, I believe.

Mr. BYRD. Yes, Justinian had 30,000 of the citizens of Constantinople murdered. There was no independent Senate to challenge his authority to do so. With an autocrat like Justinian ruling in the Golden Horn, one need not wonder that the people of Russia, when they formed the Russian state some centuries later, had no Senate to teach them the lessons regarding checks and balances and separation of powers, and human rights, and limited monarchy.

When Ivan the Terrible, Ivan IV, in the year 1570 A.D. massacred hundreds—hundreds of citizens in the city of Novgorod, there was no independent Senate to challenge his right to exact such a revenge on those people. Muscovy had no Senate.

When Peter the Great built the city of St. Petersburg on the marshes and swamps near the Neva River, he brought in tens of thousands of slave laborers who met their deaths in the building of that city. Each worker was paid 1 ruble per month. But there was no independent Senate with control over the purse and with the power to challenge Peter the Great; no independent Senate to debate at length and to challenge the authority of Peter the Great.

When Stalin, in our own time—you do not have to go very far back in history to remember Stalin and Lenin—when they created the monstrous tyranny that spread its tentacles into Poland, Hungary, Czechoslovakia, East Germany, and the Baltic States, there was no independent Senate with power over the purse and the right of unlimited debate to challenge Lenin and Stalin. How many millions of people died under Stalin? More than 20 million—more than 20 million.

So here in America we have a Senate that takes all of 30 days, all of 30 days, mind you, in discussing an amendment which will forever—forever destroy the constitutional system of separation of powers and checks and balances, and the power over the purse, lodged in the legislative branch, as we know that system.

Mr. MOYNIHAN. Yes.

Mr. BYRD. I thank the distinguished Senator for taking the floor today. I wish I could have had the privilege of sitting in his classes. Perhaps I would know a little something about economics. But I am very thankful that I have the opportunity here to listen to him. And I listened carefully.

I thank the Senator for yielding.

Mr. LEAHY. I wonder if the distinguished Senator will yield to me for just a moment on this point?

Mr. MOYNIHAN. I will be happy to do so.

Mr. LEAHY. Mr. President, I associate myself, first with the remarks just made by the distinguished senior Senator from West Virginia, but also with the remarks made earlier by the distinguished senior Senator from New York.

At the risk of dealing with two of the foremost historians of the Senate, I would make a slight addition to what was said by the distinguished Senator from West Virginia and what was concurred in by the distinguished Senator from New York. The distinguished Senator from West Virginia said, "Thank God for the U.S. Senate." I would add to that: Thank God for some individuals in the U.S. Senate.

The Senate gives us the right, under our rules and according to our history, to speak on these matters. But only if individual Senators do it. I applaud the distinguished Senator from West Virginia and the distinguished Senator from New York, for they, as Senators, utilized the opportunity. The Senate, while a great institution, is still made up of 100 individuals.

I have said, as my friends know, time and time again on this floor that the U.S. Senate should be, and can be, the conscience of the Nation, but only if individual Members exercise that conscience. I have said many times on this floor—and I will speak many more times on this constitutional amendment, as I will on some others coming up—let us look back on our 200 years of history. We are the greatest, most powerful democracy history has ever known. But we have become so because we followed our Constitution. We have amended it only 17 times since the Bill of Rights.

Frankly, Mr. President, I have not seen anything that has occurred in the 54 years of my lifetime that is so important and in such a need of change in our country that we must have this pell-mell rush to amend the Constitution—in just 2 days in the other body. Mr. President, that is a shame; that is a disgrace; that is not something to be proud of—to say to the American people that in 2 days we took this precious Constitution, this great cornerstone foundation of our democracy and we amended it.

Are we not doing a wonderful thing? No. To that I say, for shame. I have no idea how the vote will come out on this. But at least let us as Senators stand up and say to the American people that you heard a full discussion of it, not that it was rushed through because somebody wants to make a check mark.

I applaud my good friend from West Virginia with whom I have had the pleasure of serving my 20 years and my friend from New York with whom I have served 18 years, for standing up and reminding people of history. The history lesson does not fit on a bumper sticker or in a 12-second spot on the evening news or in a headline. And, unfortunately, I must say it does not fit often enough in the classrooms of the schools of this country. It should, and maybe the U.S. Senate will help bring it back.

Mr. MOYNIHAN. Mr. President, I want to express my great appreciation to the Senator from Vermont and my revered colleague, the Senator from

West Virginia. If he was not in my classrooms, I have been in his classroom for 18 years. I hope it shows, at least to some extent.

I mean to propose to act in the manner that the Senator from West Virginia spoke of earlier Senate's having done because the emperor. We have a Chief Executive and we owe him our counsel, whether he welcomes it or not.

Sir, I have to tell you that the Treasury Department analysis of the calamitous potential of this measure, in terms of deepening recessions and leaving us with prolonged periods of unemployment, under utilization, bringing on crises between groups, between regions—the Treasury Department has prepared an analysis of this and that analysis is now in the White House waiting to be cleared or released. I say again, that analysis is now in the White House waiting to be cleared.

There is a simple fact hereabouts in this city—it is almost a secret but everybody knows it—which is that there are those who would like to see this issue go away. Pass the amendment, see what happens in 5 year's time or 3 year's time, not in 2 year's time. That would be the most profoundly irresponsible act I can imagine. I say, sir, that we are not asking for anything. Whether it is associated with executive privilege, this is simply the economic analysis that the profession will produce at this time. But we have not heard from the White House. There was one op ed article by Dr. Tyson that was not bad. But we have not heard from the White House what every President since John F. Kennedy has known and understood, that this would strip the Federal Government and particularly the executive branch of those automatic stabilizers which have kept us from plunging and trashing and dropping into ruin in the century that preceded the Employment Act of 1946.

Mr. President, I hope I am heard. I will know better by the end of the day. If I have not been heard, I will be on the floor first thing in the morning. I will stay here until it is clear that our request has been refused or what I hope is that it be granted so that we can help the President and avoid a calamity, which may be decided by one or two votes.

Finally, Mr. President, I ask unanimous consent that the text of the New York Times article, "The Pitfalls of a Balanced Budget, Dismantling a Decades-Old System for Softening Recessions," be printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New York Times, Feb. 21, 1995]
THE PITFALLS OF A BALANCED BUDGET—DISMANTLING A DECADES-OLD SYSTEM FOR SOFTENING RECESSIONS

(By Louis Uchitelle)

The unemployment rate, which peaked at 7.7 percent after the last recession, could have reached 9 percent if a balanced budget had been required, Government and private

economists estimate. And a laid-off worker who collected \$12,000 in unemployment pay might have received only \$7,000 or so.

Such estimates of the potential economic impact are not emphasized very much, however, in the debate over the balanced budget amendment. So far, the battle has focused on its value as a tool to shrink government or to discipline spending. But if the amendment is enacted, the side effect would be huge: a system that has softened recessions since the 1930's would be dismantled.

"There are risks associated with a balanced budget, and I don't think anyone should deny them," said William Hoagland, the Republican staff director for the Senate Budget Committee. "Nevertheless, the debate on the floor has been dominated by what we must do to get the budget in balance, not what the risks of a balanced budget amendment might be."

Mr. Hoagland expressed surprise that the biggest risk—deeper, more painful recessions—had not figured significantly in the debate, although Senator Daniel P. Moynihan, Democrat of New York, and Senator Paul S. Sarbanes, Democrat of Maryland, had called attention to this risk in several floor speeches. "The reason must be that the advocates of a balanced budget see the benefits to the economy as far outweighing the negatives associated with cyclical downturns," Mr. Hoagland said.

"That must be what is going on."

No benefit seems to hold more sway than the view that the amendment would shrink the Federal Government by restricting its power to tax and to spend. A dollar not collected and spent by the Government is a dollar left in the hands of the private sector. And the private sector invariably invests money more efficiently than the Government, this view holds.

"The people have spoken clearly that government is too big and we need to do something about it," said Robert Hall, a Stanford University economist who favors smaller government. "The problem is that the balanced budget amendment is a heavy-handed solution and risky."

The biggest risk is to the nation's "automatic stabilizers," which have made recessions less severe than they were in the century before World War II. The stabilizers, an outgrowth of Keynesian economics, work this way: When the economy weakens, outlays automatically rise for unemployment pay, food stamps, welfare and Medicaid. Simultaneously, as incomes fall, so do corporate and individual income tax payments. Both elements make more money available for spending, thus helping to pull the economy out of its slump.

The problem, of course, is that the stabilizers make the deficit shoot up—by roughly \$65 billion as a result of the 1990-1991 recession, according to the Treasury Department. Under the balanced budget amendment, Congress and the Administration would be required to get the budget quickly back into balance, through spending cuts, higher tax rates, or a combination of the two—perhaps even in the midst of a recession.

"The Government would become, almost inevitably, a destabilizer of the economy rather than a stabilizer," said Joseph Stiglitz, a member of the President's Council of Economic Advisers. Many economists share that view.

Absent the stabilizers, every 73-cent drop in national income in the last recession would have become a \$1 drop, said Bradford DeLong, deputy assistant Secretary of the Treasury, who as a Harvard economist studied this dynamic and recently updated his research. Of the 27 cents in cushioning, 20 cents came from falling tax revenue and 7 cents from the higher spending.

Economists outside the Government offer similar estimates. Ray Fair of Yale University, for example, said for every \$10 billion decline in national income during a recession, the deficit rises by \$2 billion, as the stabilizers kick in with their higher spending and lower tax revenue.

"We ought not to give up the stabilizers," Professor Fair said. "That would be very Draconian."

Nearly every economist agrees that the American economy requires, if not stabilizers, some substitute method for offsetting recessions in an era of balanced budgets. And those who favor the amendment are no exception.

"It would be a disaster to lose the stabilizers," said C. Fred Bergsten, director of the Institute for International Economics, who endorses the amendment as a necessary step if the nation is to afford the high cost of Social Security and Medicare for the baby boom generation, which reaches retirement age early in the next century.

Mr. Bergsten notes that the amendment, as now worded, would permit Congress to bring back the stabilizers by a three-fifths vote in both houses. The vote would permit the necessary deficit spending to finance the stabilizers.

While a three-fifths vote is a big hurdle, Mr. Bergsten and others argue that Congress would get used to authorizing the necessary deficits during recessions. Nevertheless, he would prefer a different solution. Once through the painful process of balancing the budget by 2002, as required by the amendment, then the Government should run budget surpluses in years of strong economic growth and full employment, Mr. Bergsten said.

The surpluses would cover the rising costs of the stabilizers during recessions. "You could go down to a balanced budget in the hard years, and still give the economy a little stimulus," he said.

The Congressional Budget Office has estimated that the surplus needed to pay for the stabilizers during a recession as severe as that of 1981-1982, the worst since World War II, would be 1 percent of the national income during robust periods of full employment, and perhaps as much as 1.5 percent.

That would mean an annual surplus in today's dollars of \$70 billion to \$100 billion, rather than the nearly \$200 billion or so in annual deficits expected under current policy. Most of the \$200 billion is to help pay for programs like highway construction and new weaponry that have fixed costs and do not fluctuate with the ups and downs of the economy, as unemployment pay, food stamps, tax revenues and the other stabilizers do.

Some economists—including Milton Friedman, a Nobel laureate in economics who is with the Hoover Institute—hold that the stabilizers, despite the ballyhoo, are no longer so important. The Federal Reserve, through monetary policy, can more than offset their disappearance by lowering interest rates an extra notch or two to give the economy an additional stimulus in hard times.

"I have looked at many episodes in the world in which monetary policy went one way and fiscal policy the other, and I have never found a case in which monetary policy did not dominate," Mr. Friedman said. He favors a balanced budget amendment that would shrink the Federal Government by putting a ceiling on the tax increases that could be enacted to balance the budget.

But the Clinton Administration and even Federal Reserve officials question whether monetary policy could alone handle the task of reviving an economy in recession. The stabilizers, they note, kick in automatically—before the Federal Reserve and most econo-

mists often realize that the economy is falling toward recession.

A recession might be well along and getting deeper before the Fed recognized the problem and began to drop rates. The lower rates, in turn, would not be felt in the economy for a year to 18 months, the traditional lag. And even if the Fed acted quickly enough, the economy would behave in new and different ways without the stabilizers.

"My guess is that we would get it wrong the first time we went into recession, making that recession much deeper than it should be," said a Federal Reserve official, who spoke on condition that he not be identified. "But we would learn from that experience and do a better job thereafter."

Mr. MOYNIHAN. Mr. President, I yield the floor.

Mr. LEAHY addressed the Chair.

The PRESIDING OFFICER. The Senator from Vermont.

Mr. LEAHY. Mr. President, I am, as I have said, going to speak again on the question of the balanced budget. I think that the speeches made by the distinguished senior Senator from West Virginia and the distinguished senior Senator from New York are such that I hope a lot of people will listen to them.

Obviously, I myself am in great agreement. As I have stated, the Senate owes a thanks to both of them. But more than that, the United States owes thanks. This is a matter that should be debated.

Mr. BYRD. Mr. President, I thank the distinguished Senator from Vermont and the distinguished Senator from New York for their comments.

Mr. LEAHY. Mr. President, I ask unanimous consent that I be allowed to speak as in morning business on another subject.

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

A CHANCE FOR PEACE IN NORTHERN IRELAND

Mr. LEAHY. Mr. President, this is an historic day in the Republic of Ireland and Northern Ireland. I want Senators and the American people to be aware of the significance of what the people of that island have done today.

For the past quarter of a century, Unionists who favor continued British control over Northern Ireland, and Catholics who favor unification of Northern Ireland with the Irish Republic, have been locked in a cruel war over the status of the North. Over 3,200 people have died, many of them innocent civilians caught in the crossfire between the IRA and Protestant paramilitary groups.

Mr. President, as an American of Irish descent, the violence in Northern Ireland has had a profound affect on me. I have always unequivocally opposed the use of violence by both sides in Northern Ireland. Irish-Americans who care about the land of our ancestors condemn violence without reservation and support a peaceful settlement.

My father felt he would never live to see real peace in Northern Ireland, and