of the others have, as an official disaster, to receive a broader range of support that they deserve and should be available to them.

Without going into all of the details, I can only say, if you drive down any of the roads, whether it is Center Road or Genesee Road or Bray Road in Thetford Township, as I did yesterday, and you see the decapitated silos with huge chunks of cement strewn everywhere and trees in which semitruck trailers ended up after they were hurled into the air, and if you see the huge openings that have been driven through the fields and the forest lands, you know if this area doesn't qualify as a disaster area, I don't know what would, Mr. President.

The damage was not just of public property; it is to private property, also. Happily, it wasn't more serious, but definitely it deserves our attention. For that reason, today I will be writing our Governor, as well as the Federal Emergency Management Agency authorities, to ask that the designation be expanded to include this community. I hope they will respond as they have responded already. I wish to make it clear that I don't know of any reason not to, nor in any way am I criticizing actions today. We are moving piece by piece through the process. I hope they will respond to this as well and help us to make sure that these people—they may be small in numbers, as I say, but the people who live there are just as real as the folks in all the other communities. So I intend to work very hard to make sure all the relief possible is made available to them.

Mr. President, I thank you and yield the floor at this time.

CHATHAM STUDENTS EXCELL

Mr. KENNEDY. Mr. President, it is a privilege to take this opportunity to recognize the impressive accomplishments of students at Chatham High School in Massachusetts. A team of these students excelled recently against other teams representing schools in all 50 States and the District of Columbia in the nationwide finals of the ''We the People.* * * The Citizen and the Constitution'' competition. This talented and knowledgeable group of students demonstrated their expertise on the Constitution and the Bill of Rights, and were recognized above other teams for their superior knowledge on this topic.

These issues are at the heart of our democracy and our constitutional system of government. It is gratifying that so many students across the country are learning about these issues at an early age.

The Bill of Rights, in particular, teaches important values about individual freedom and responsibility, and is the basis for our most precious liberties.

The students at Chatham High School deserve great credit for their achievement. I commend them for their skill and dedication. Massachusetts is so proud of them all—Heather Baker, Taylor Brown, Jonathan Buck, Lauren D'Elia, Hannah Farnham, Casey Jordan, Joshua Lamoureux, Jill Matteson, Nathan Miller, Allison Morris, Nalinee Murphy, Douglas Smith-Elion, Rebecca Spencer, and Joseph Thonus. Also, I commend the superb leadership of their teacher, Tom Flaherty.

CONGRATULATIONS TO CLARENCE VERNON WOODSIDE CELEBRATING HIS 100TH BIRTHDAY

Mr. ASHCROFT. Mr. President, I rise today to encourage my colleagues to join me in congratulating Clarence Vernon Woodside of Excelsior Springs, MO, who will celebrate his 100th birthday on August 11, 1997. Clarence is a truly remarkable individual. He has witnessed many of the events that have shaped our Nation into the greatest the world has ever known. The longevity of Clarence's life has meant much more, however, to the many relatives and friends whose lives he has touched over the last 100 years.

Clarence's celebration of 100 years of life is a testament to me and all Missourians. His achievements are significant and deserve to be recognized. I would like to join his many friends and relatives in wishing Clarence health and happiness in the future.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Monday, July 14, 1997, the Federal debt stood at $5,355,393,906,769.08. (Five trillion, three hundred fifty-five billion, three hundred ninety-three million, nine hundred and six thousand, seven hundred and sixty-nine dollars and eight cents.)

Twenty-five years ago, July 14, 1972, the Federal debt stood at $430,417,000,000 (Four hundred thirty billion, four hundred and seventeen million dollars).

Fifteen years ago, July 14, 1982, the Federal debt stood at $1,079,571,000,000 (One trillion, seventy-nine billion, and five hundred and seventy-one million dollars).

Ten years ago, July 14, 1987, the Federal debt stood at $2,317,949,000,000 (Two trillion, three hundred and seventeen billion and nine hundred and forty-nine million dollars).

Five years ago, July 14, 1992, the Federal debt stood at $3,972,195,000,000 (Three trillion, nine hundred and seventy-two billion and one hundred and ninety-five million dollars) which reflects a debt increase of nearly $5 trillion—$4,924,976,906,769 (Four trillion, nine hundred twenty-four billion, nine hundred seventy-six million, nine hundred and six thousand, seven hundred and sixty-nine dollars) during the past 25 years.

RETURN THE EMERGING BUDGET SURPLUS TO THE TAXPAYER

Mr. ABRAHAM. Mr. President, I rise today to talk about the emerging budget surplus and what Congress should do about it. According to recent Congressional Budget Office and Office of Management and Budget estimates, the fiscal 1997 budget deficit could be smaller than $50 billion. The reason: Robust economic growth continues to boost tax receipts beyond projections. As a result, the deficit is declining rapidly and the budget could be balanced by the year 2000 or earlier.

Further, if the President signs a tax bill that includes a deep cut in the capital gains tax, a budget surplus could emerge next year. Economist Larry Kudlow predicts that cutting the top capital gains tax rate to 20 percent could produce a $90 billion revenue windfall next year, assuming only 15 percent of investors realize their stock market gains from 3 years ago.

The question we face is this: Should future budget surpluses—if they materialize—be used to retire the national debt, increase Government spending, or further reduce taxes?

Our colleague, Representative MARK NEUMANN of Wisconsin, has offered The National Debt Repayment Act which proposes to use budget surpluses primarily to retire the national debt. This legislation would earmark two-thirds of any surpluses to debt reduction and only one-third to tax reduction. The plan attempts to build budget surpluses in future years by limiting the growth of Government spending at 1 percentage point lower than the growth of tax revenues.

Although well-intentioned, the bill contains several problems. First, it would have the practical effect of locking-in high tax rates on the American people. Under the plan, Congress would have to maintain a tax burden that is higher than is necessary to pay for current Government spending. In fact, as economist Bruce Bartlett points out, ''(the Neumann) plan actually implies a stiff tax increase. Revenues as a share of gross domestic product would rise from 19.9 percent next year to 20.8 percent in 2002,'' producing one of the highest tax burdens in U.S. history. Further, because the plan calls for revenue growth to outrace spending growth, Congress will have the perverse incentive to keep taxes high.

Second, the bill does nothing to reduce the size of the Federal Government. It is designed to generate budget surpluses, but does nothing about the actual levels of either Government spending or revenues. As long as tax revenues are growing, Government spending can grow too.

Third, the bill would preclude significant tax rate reductions and fundamental tax reforms in the future. In my view, any budget surplus would be far better spent by cutting taxes that are most burdensome and stifling to economic growth. Enacting pro-growth tax reforms and increasing the size of

the economy would make it easier to carry the debt burden.

Fourth, in effect, the bill would keep taxes on Americans unnecessarily high primarily to retire debt held by foreign interests. According to the Treasury Department, foreign and international investors owned $1,199.1 billion of the total $3,451.7 billion in privately held public debt in 1997. In contrast, U.S. individuals owned only $355.4 billion. By my lights, we ought to use any budget surpluses to provide relief to American taxpayers before making advanced debt payments to foreign central bankers and other investors in China, Japan and Germany.

Overall, the bill is based on misconceptions of the true economic impact of the debt. According to most economists, the figure that really counts is not the total debt per se, but rather debt's size relative to the overall economy. As the Wall Street Journal recently noted, the debt as a share of GDP ''was as high as 111 percent in 1946, after we'd run up a debt to defeat Hitler—a cause worth some debt.'' But because of the post-war economic boom—boosted in the 1960's by President John F. Kennedy's tax rate reductions—the debt fell back to 24 percent of GDP in 1974. The Journal goes on to note that the debt ''rose again with the great inflation and spendthrift Congresses of the past two decades, but it stabilized at 50 percent of GDP in 1995 and is projected to decline slowly . . .''

Furthermore, the economic benefits of running budget surplus are not at all clear. It is worth nothing that Great Britain ran budget surpluses in 1988, 1989, and 1990 equivalent to 1.5 percent of GDP—equivalent to a U.S. surplus of $100 billion—yet British interest rates increased.

Mr. President, to ensure that we return higher-than-expected revenues to the taxpayer, I have introduced the Economic Growth Dividend Protection Act (S. 800). Under my bill, if tax revenues received by the Treasury in the next 5 years exceed those projected under the budget agreement, the revenues will be made available for tax cuts first. If the Congress fails to pass tax cuts, then the surplus is reserved for deficit reduction—not new Government spending.

In summary, Mr. President, we should reduce the burden of the national debt. But setting in stone today a policy to run huge budget surpluses well into the next century is a recipe for higher taxes and slower economic growth. In my view, the best way to reduce the debt burden is to run a balanced Federal budget with firm controls on Government spending and to cut taxes that hinder economic growth. In the event that Congress does cut tax rates and overhaul the tax system, we could then decide to use any resulting tax revenue surplus to pay down the debt.

I ask unanimous consent that several articles on this subject that appeared in the Wall Street Journal, Washington Post, and Washington Times be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington Post, July 15, 1997]

WHY PAY OFF THE NATIONAL DEBT?

(By James K. Glassman)

A balanced federal budget is not even law, much less reality, but already a Republican congressman is proposing legislation to deal with the surpluses he thinks will follow.

A surplus happens when the government raises more than it spends. The last time was 1969, but we're getting closer. The deficit for the fiscal year that ends on Sept. 30 will be about $45 billion.

What to do with the extra revenues flowing into Washington? Rep. Mark Neumann (R-Wis.), in a plan that's been embraced by Speaker Newt Gingrich and become the hot fiscal topic of the summer in conservative circles, wants to use the money to pay off the national debt.

On its face, this sounds like a reasonable idea. It's actually dangerous and distracting. First, it just won't happen: If we start running surpluses, politicians will spend them. That's not just a guess. Just look at this year's budget. With pressure from a burgeoning deficit relaxed, Congress and the White House devised a budget in May that sharply increases the growth of spending.

But let's pretend that Congress and the president can muster the discipline to enforce the Neumann plan. If spending grows at 4 percent (which is, indeed, the rate in the new budget) and if revenues grow at 5 percent (they've been rising at 7 percent since 1992), then the entire national debt can be wiped out by the year 2026 if we use the excess cash to pay off Treasury bonds.

Isn't this an admirable goal? Not really. The federal debt, which is the total of all the deficits we've piled up over the years, isn't such a terrible thing—especially if it remains at current levels. Right now it's about 50 percent of our gross domestic product, but if we run balanced budgets through 2026, it will fall to less than 25 percent of GDP—or back to 1960's levels.

The argument about the evil of the federal debt is based on a fallacy, which is that it's a burden on future generations of Americans. This is what Neumann himself, a former math teacher and real estate developer, means when he says he wants children to ''inherit a debt-free nation.''

But this popular analysis misses half the equation. If we simply balance budgets, then today's $5.4 trillion debt will perpetually be on the Treasury's books. But that debt will be balanced by $5.4 trillion in assets. Roughly four-fifths of those assets—beautiful T-bonds—are held by Americans. Thus, our children won't merely inherit debt, they'll inherit bonds.

Neumann gripes about the $300 billion or so in interest on that debt. But this money, in fact, is one of the few benign federal spending programs. Private bondholders who earn interest are likely to invest that money more productively than Washington does.

And the interest earners aren't merely fat cats. A 1984 Treasury study concluded, ''We find no basis for the belief that interest payments on the public debt lead to greater inequality in the distribution of income.'' Remember, the top 10 percent of Americans pay 59 percent of all income taxes, so, in a worst case, interest is being paid by the rich to the rich.

The point is that Americans, at the very same time, are both borrowers and lenders, as Francis X. Cavanaugh, a former Treasury Department official, explains in ''The Truth About the National Debt.'' He also notes that Abraham Lincoln ''may have been the only president to recognize both sides of the ledger.''

In 1864, Lincoln told Congress, ''The great advantage of citizens being creditors as well as debtors, with relation to the public debt, is obvious. Men can readily perceive that they cannot be much oppressed by a debt which they owe to themselves.''

Lincoln was urging Congress to go into debt to pay military expenses. Debt, in other words, is simply a way to get the dollars to pay for what we want government to do. The other way is taxes.

Debt and taxes are simply matters of financing. The truly important public policy question is: What should government do? Fight a war against slavery and on behalf of union? Certainly. Fund railroads, corporate welfare and collective health care systems? I don't think so.

But Congress keeps spending more and more. Total spending will rise from $1.6 trillion in 1997 to $1.9 trillion in 2002—a rate well in excess of inflation.

Milton Friedman once said that he would rather have a $1 trillion budget that is way out of balance than a $2 trillion budget that is in balance. He's right. The true goal is to reduce government spending. The aim of balancing the budget (or running a surplus) is merely a tactic to secure the prize: a smaller government that takes fewer resources and limits fewer liberties.

Alas, Neumann, like so many Republicans, has been blinded by balanced-budget rhetoric and missed this true goal. Under his plan, for example, an incredible $33 billion out of the surplus would go to replenish the highway trust fund, which would mean more spending on pork. At a meeting last week, Gingrich argued for appeasing big-spending Republicans like the notorious Transportation Chairman Bud Shuster since they represent one leg of the GOP ''three-legged stool.''

It's a stool that ought to be knocked over. Believers in smaller government have a very simple job to do: Make it smaller. When that happens, Americans will be able to keep more of what they earn and the federal debt will simply wither away.

[From the Washington Times, July 2, 1997]

MISGUIDED STRATEGY TO TRIM DEBT

(By Bruce Bartlett)

Last week, columnist Robert Novak reported that House Speaker Newt Gingrich has ''enthusiastically embraced'' a proposal by freshman GOP Rep. Mark Neumann of Wisconsin to begin paying off the national debt. Upon hearing this news, Jack Kemp quickly shot a memo off to Mr. Gingrich strongly urging him not to endorse the Neumann plan, saying it would impose unnecessary austerity on American taxpayers. Instead of paying off the debt, we should cut taxes, Mr. Kemp said.

The basis of the Neumann plan is that revenues probably will rise faster than assumed in the budget agreement, providing budget surpluses in future years. Based on past experience, Mr. Neumann believes that revenues will rise closer to 6 percent per year, rather than the 4 percent growth assumed in the budget agreement. If spending is no higher than projected by the agreement, this theoretically would provide a budget surplus of almost $200 billion by 2002.

Mr. Neumann believes that if a surplus emerges it should largely be used to retire public debt. His legislation would earmark two-thirds of any surpluses to debt reduction and only one-third to tax reduction. Furthermore, Mr. Neumann believes that by holding the growth of spending to 1 percent less than the growth of revenues, the entire national

debt can be paid off by 2026. This, he says, would save a family of five $600 per month that they are now paying in taxes for interest on the debt.

In truth, Mr. Neumann's plan isn't so much a bad one as a misguided one. The likelihood of budget surpluses emerging under any revenue assumption is absurd. The money will all be spent long before any surplus arises. Moreover, his notion that Congress can simply pass a law that will hold spending to less than the growth of revenue is extraordinarily naive. We tried that with Gramm-Rudman, and the first time the spending cap began to pinch, Congress promptly repealed it.

Moreover, Mr. Neumann seems not to realize that his plan actually implies a stiff tax increase. Revenues as a share of gross domestic product would rise from 19.9 percent next year to 20.8 percent in 2002, using his numbers and the Congressional Budget Office's GDP forecast. Also, he made a mathematical error in computing the cost of interest on the debt. With net interest at $248 billion and a population of 268 million, the actual cost of interest for a family of five is $385 per month, not $600.

But the major problem with Mr. Neumann's proposal is a misconception about the burden of debt. Interest on the debt is no more a ''burden'' than the interest homeowners pay on their mortgages each month. To think otherwise is to believe that everyone who owns a home would be better off selling it and renting instead, just so they can be debt-free. The reason people don't do this is because they believe they are better off with the house and the debt.

Of course, taxes are higher than they would be if there were no debt. And if the debt could magically be extinguished it would certainly be worth doing so. But maintaining a higher tax burden than necessary to pay for current spending just to reduce the debt is a terrible misuse of tax revenue. The money would be far better spent eliminating the worst federal taxes, those that are hindering growth and making it harder to carry the debt.

In 1848, John Stuart Mill attacked a proposal similar to Mr. Neumann's in England. ''I conceive that the increase of revenue should rather be disposed of by taking off taxes, than by liquidating debt,'' Mill wrote. Cutting taxes removes a real burden on people, reducing debt does not.

[From the Wall Street Journal, July 2, 1997]

INVINCIBLE IGNORANCE

Democrats who want to retake Congress have found the issue they've been looking for: It's the plan now being offered by Republican Mark Neumann of Wisconsin and supported by Speaker Newt Gingrich to run federal budget surpluses. If Republicans embrace this idea, Dick Gephardt will be Speaker in no time.

Now that Republicans can at least claim to have balanced the budget, if only in five years, they're looking for something else to do. You might think tax reform or securing pensions for the Baby Boomers would be in order. Mr. Neumann wants to do nothing so tangible. Instead he wants Republicans to stand for the abstraction of paying down the national debt by the year 2026, even if it means taxing Americans at higher rates than are needed to balance the federal books.

Both the economics and politics of this proposal make it nutty even by Beltway standards. Mr. Neumann is like many businessmen-turned-politicians who hold the mercantilist view that debt is the worst economic evil. Adam Smith pointed out the folly of this 200 years ago when he observed that the point of economics isn't to collect gold in a nation's vault; it is to improve the living standards of everyone.

Mr. Neumann would amass a modern-day gold hoard, which he imagines would accumulate to pay Social Security for Baby Boom retirees. This assumes politicians won't tap this surplus in the meantime, despite 70 years of recent political history. But even if the pols left the money alone, the government would in essence merely be using that surplus to buy back its own bonds. It wouldn't change Social Security's actuarial problem one iota.

When the Baby Boomers begin to retire in 2012, the government would still be faced with a choice of raising taxes, cutting Social Security benefits or reissuing bonds (i.e., reborrowing). Social Security benefits will always have to be paid out of payroll taxes at the time or with future borrowing. The best way to ensure higher tax revenues is to grow a bigger economy in the meantime, but Mr. Neumann would maintain higher tax rates that would reduce the economy's growth potential. Mr. Neumann's proposal assumes the federal government can create more wealth than private Americans.

In any event, he misjudges the history and menace of debt. Economists the economy, or GDP. This was as high as 111% in 1946, after we'd run up a debt to defeat Hitler—a cause worth some debt. But it gradually fell back down again as the economy expanded—to about 24% of GDP in 1974. It rose again with the great inflation and spendthrift Congresses of the past two decades, but it stabilized at 50% of GDP in 1995 and is projected to decline slowly if Congress shows any spending discipline.

Of course, Mr. Neumann also frets with other pols about having to pay $250 billion in interest each year on the national debt. But interest payments are the least destructive spending the federal government does. At least it doesn't subsidize lawsuits, dubious art or liberal lobbies.

The silver lining here, we suppose, is that this idea is so politically dumb it would never really happen. Democrats could campaign as balanced-budget liberals, proposing to spend the new tax revenues on health care and children. In response, Neumann Republicans would become the Debt Retirement Party. This is the castor-oil path that has ruined parties of the right in Europe and Canada. While Mr. Neumann does propose to return one-third of any year's surplus in tax relief, that message would be swamped by the two-thirds going into the national vault.

In sum, the Neumann plan would return Republicans to their historic role as ''tax collector for the welfare state.'' That's what Mr. Gingrich once called Bob Dole, but with his support for Mr. Neumann (Budget Chairman John Kasich is also a co-sponsor) he owes Mr. Dole an apology. The Neumann plan puts Mr. Gingrich squarely in the Hoover-Ford-Bush austerity tradition of the GOP. The last Republican we heard such a proposal from was none other than George Bush's budget director, Dick Darman.

It's possible this New Darmanomics is a poll-driven continuation of the GOP's balanced-budget myopia. But it may also be a matter of simple ignorance. We can therefore hope that economically literate Republcians—Majority Leader Dick Armey, Senator Phil Gramm—will be able to educate their colleagues. Short of that, we recommended to Mr. Neumann and his allies Adam Smith's ''Wealth of Nations,'' or for a shorter read, ''Hamilton's Blessing'' by John Steele Gordon. They might learn something.

* * * * *

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

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

DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 1998

The PRESIDING OFFICER. The Senate will resume consideration of S. 1005, which the clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 1005) making appropriations for the Department of Defense for the fiscal year ending September 30, 1998, and for other purposes.

The Senate resumed consideration of the bill.

Pending:

Stevens-Inouye Amendment No. 846, to require a report to Congress on all anticipated costs to the United States for the admission of the Czech Republic, Poland and Hungary to NATO.

Harkin Amendment No. 848, to prohibit the use of taxpayer funds to underwrite restructuring costs associated with a business merger.

AMENDMENT NO. 849

Mr. STEVENS. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Alaska [Mr. STEVENS], for Mrs. HUTCHISON, for herself, Mr. LOTT, Mr. LIEBERMAN, Mr. MCCAIN, Mr. WARNER, Mr. SMITH of Oregon, Mr. LUGAR, and Mr. LEVIN, proposes an amendment numbered 849.

The amendment is as follows:

At the appropriate place in the bill, insert the following:

It is the sense of the Senate that—

(1) International efforts to bring indicted war criminals to justice in Bosnia and Herzegovina consistent with the 1995 Dayton Accords should be supported as an important element in creating a self-sustaining peace in the region;

(2) The Administration should consult closely with the Congress on all efforts to bring indicted war criminals to justice in Bosnia and Herzegovina consistent with the 1995 Dayton Accords; and

(3) The Administration should consult closely and in a timely manner with the Congress on the NATO-led Stabilization Force's mission concerning the apprehension of indicated war criminals, including any changes in the mission which could affect American forces.

Mr. STEVENS. Mr. President, this amendment has been cleared on both sides and is now acceptable to the managers of the bill. I urge its adoption.

The PRESIDING OFFICER. Is there further debate?

The question is on agreeing to the amendment of the Senator from Texas.

The amendment (No. 849) was agreed to.

Mr. INOUYE. Mr. President, I move to reconsider the vote.