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Senate

The Senate met at 9:30 a.m. and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

Almighty God, on this National Day of Prayer, we join with millions across our land in intercession and supplication to You, the Sovereign Lord of the United States of America. As we sound that sacred word Sovereign, we echo Washington, Jefferson, Madison, and Lincoln, along with other leaders through the years, in declaring that You are our ultimate Ruler. We make a new commitment to be one nation under You, God, and we place our trust in You.

You have promised that if Your people will humble themselves, seek Your faith, and pray, You will answer and heal our land. Lord, as believers in You, we are Your people. You have called us to be salt in any bland neglect of our spiritual heritage and light in the darkness of what contradicts Your vision for our Nation. Give us courage to be accountable to You and Your Commandments. We repent for the pride, selfishness, and prejudice that often contradict Your justice and righteousness in our society.

Lord of new beginnings, our Nation needs a great spiritual awakening. May this day of prayer be the beginning of that awakening with each of us here in the Senate. We urgently ask that our honesty about the needs of our Nation and our humble confession of our spiritual hunger for You may sweep across this land. Hear the prayers of Your people and continue to bless America. In Your Holy Name. Amen.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The able Senator from Texas is recognized.

SCHEDULE

Mr. GRAMM. Mr. President, this morning the Senate will resume consideration of S. 900, the financial services modernization bill, with Senator GRAMM immediately recognized to offer an amendment. The leader has announced that if this bill is completed this evening, there will be no rollcall votes during Friday's session of the Senate. Therefore, Senators can expect rollcall votes throughout the day and into the evening with the expectation of completing the bill.

I thank my colleagues for their attention.

RESERVATION OF LEADER TIME

The PRESIDING OFFICER (Mr. CRAPO). Under the previous order, the leadership time is reserved.

FINANCIAL SERVICES MODERNIZATION ACT OF 1999

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of S. 900 which the clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 900) to enhance competition in the financial services industry by providing a prudential framework for the affiliation of banks, securities firms, insurance companies, and other financial service providers, and for other purposes.

The PRESIDING OFFICER. Under the previous order, the Senator from Texas is recognized to offer an amendment.

Mr. GRAMM. Mr. President, I want to urge my colleagues, if they have any amendments for this bill, to bring those amendments to the floor.

We are going to try to gather up today the amendments that Members want to present. We are going to evaluate them. Hopefully, we can take many of those amendments without a rollcall vote. There will be some point this morning at which we will attempt to try to bring this to a conclusion in terms of setting a blueprint for the day. It is my intention to press forward today as long as it takes, as hard as it is, to see this bill dealt with and its work completed.

Mr. DORGAN. Mr. President, I wonder if the Senator from Texas will yield for a question.

Mr. GRAMM. I will be happy to yield for a question.

Mr. DORGAN. Mr. President, I understand the Senator from Texas, based on the previous agreement, is to be recognized to offer two amendments. I heard his call for other Members to come with amendments. I have a couple of amendments which I intend to offer. I would not expect the Senator to include those in the list of amendments he intends to accept, but nonetheless I also wish to make a statement about the bill generally today. I have come over several times, as the Senator knows, and it has not been convenient to be able to do so with respect to other schedules, and I understand that. But I wonder if the Senator could give me some notion of when I might be able to be recognized, at which time I would make the statement I intend to make about the bill generally and then offer an amendment.

Mr. GRAMM. Mr. President, I am awaiting Senator SARBANES, so why don't I just ask, how long does the Senator need to make an opening statement?

Mr. DORGAN. I wish to speak for about 20 minutes this morning.

Mr. GRAMM. Mr. President, let me ask unanimous consent that the distinguished Senator from North Dakota might speak on the bill for 20 minutes, and that at the end of that time I might be recognized for the purpose of offering the amendment. I am willing to step aside.

Mr. DORGAN. Mr. President, the Senator from Texas is most courteous. I would like about 5 minutes to gather some charts.

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

Mr. GRAMM. Fine.

Mr. DORGAN. If the Senator would like to proceed——

Mr. GRAMM. Why don't we do it this way. Let me ask unanimous consent that the Senator be recognized to speak for 20 minutes. I will suggest the absence of a quorum. He can take us out of the quorum call when he comes back and speak for 20 minutes.

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

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

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

Mr. DORGAN. Mr. President, we are debating a piece of legislation in the Senate that is called the Financial Services Modernization Act of 1999.

I come today with the confession I am probably hopelessly old fashioned on this issue. For those who have a vision of re-landscaping the financial system in this country with different parts operating with each other in different ways and saying that represents modernization, then I am just hopelessly old fashioned, and there is probably nothing that can be said or done that will march me towards the future.

I want to sound a warning call today about this legislation. I think this legislation is just fundamentally terrible. I hear all these words about the industry remaking itself—banks, security firms and insurance companies, and that we'd better catch up and put a fence around where they are or at least build a pasture in the vicinity of where they are grazing. What a terrible idea.

What is it that sparks this need to modernize our financial system? And what does modernization mean? This chart shows bank mergers in 1998, in just 1 year, last year, the top 10 bank mergers. We have discovered all these corporations have fallen in love and decided to get married. Citicorp, with an insurance company—that is a big one—$698 billion in combined assets; NationsBank—BankAmerica, $570 million; and the list goes on. This is a massive concentration through mergers.

Is it good for the consumers? I don't think so. Better service, lower prices, lower fees? I don't think so. Bigger profits? You bet.

What about the banking industry concentration? The chart shows the number of banks with 25 percent of the domestic deposits. In 1984, 42 of the biggest banks had 25 percent of the biggest deposits. Now only six banks have the biggest deposits. That is a massive concentration.

I didn't bring the chart out about profits, but it will show —this is an industry that says it needs to be modernized—banks have record-breaking profits, security firms have very healthy profits, and most insurance companies are doing just fine. Why is there a need to modernize them?

So we must ask the question, what about the customer? What impact on the economy will all of this so-called modernization have?

It is interesting to me that the bill brought to the floor that says, "Let's modernize this," is a piece of legislation that doesn't do anything about a couple of areas which I think pose very serious problems. I want to mention a couple of these problems because I want to offer a couple of amendments on them.

I begin by reading an article that appeared in the Wall Street Journal, November 16, 1998. This is a harbinger of things to come, just as something I will read that happened in 1994 is a harbinger of things to come, especially as we move in this direction of modernization.

> It was Aug. 21, a sultry Friday, and nearly half the partners at Long-Term Capital Management LP [that's LTCM, a company] were out of the office. Outside the fund's glass-and-granite headquarters, a fountain languidly streamed over a copper osprey clawing its prey.
>
> Inside, the associates logged on to their computers and saw something deeply disturbing: U.S. Treasurys were skyrocketing, throwing their relationship to other securities out of whack. The Dow Jones Industrial Average was swooning—by noon, down 283 points. The European bond market was in shambles. LTCM's biggest bets were blowing up, and no one could do anything about it.

This was a private hedge funding.

> By 11 a.m., the [hedge] fund had lost $150 million in a wager on the prices of two telecommunications stocks involved in a takeover. Then, a single bet tied to the U.S. bond market lost $100 million [by the same company]. Another $100 million evaporated in a similar trade in Britain. By day's end, LTCM [this hedge fund in New York] had hemorrhaged half a billion dollars. Its equity had sunk to $3.1 billion—down a third for the year.

This company had made bets over $1 trillion.

Now, what happened? They lost their silk shirts. But of course, they were saved because a Federal Reserve Board official decided we can't lose a hedge fund like this; it would be catastrophic to the marketplace. So on Sunday night they convened a meeting with an official of the Federal Reserve Board, and a group of banks came in as a result of that meeting and used bank funds to shore up a private hedge fund that was capitalized in the Caymen Islands for the purpose, I assume, of avoiding taxes. Bets of over $1 trillion in hedges—they could have set up a casino in their lobby, in my judgment, the way they were doing business. But they got bailed out.

This was massive exposure. The exposure on the hedge fund was such that the failure of the hedge fund would have had a significant impact on the market.

And so we modernize our banking system. This is unregulated. This isn't a bank; it is an unregulated hedge fund, except the banks have massive quantities of money in the hedge fund now in order to bail it out.

What does modernization say about this? Nothing, nothing. It says let's pretend this doesn't exist, this isn't a problem, let's not deal with it.

So we will modernize our financial institutions and we will say about this problem—nothing? Don't worry about it?

I find it fascinating that about 70 years ago in this country we had examples of institutions the futures of which rested on not just safety and soundness of the institutions themselves but the perception of safety and soundness, that is, banks. Those institutions, the future success and stability of which is only guaranteed by the perception that they are safe and sound, were allowed, 70 years ago, to combine with other kinds of risk enterprises—notably securities underwriting and some other activities—and that was going to be all right. That was back in the Roaring Twenties when we had this go-go economy and the stock market was shooting up like a Roman candle and banks got involved in securities and all of a sudden everybody was doing well and everybody was making massive amounts of money and the country was delirious about it.

Then the house of cards started to fall. As investigations began and bank failures occurred and bank holidays were declared, from that rubble came a description of a future that would separate banking institutions from inherently risky enterprises. A piece of legislation called the Glass-Steagall Act was written, saying maybe we should learn from this, that we should not fuse inherently risky enterprises with institutions whose perception of safety and soundness is the only thing that can guarantee their future success. So we created circumstances that prevented certain institutions like banks from being involved in other activities such as securities underwriting.

Over the years that has all changed. Banks have said, because everybody else has decided they want to intrude into our business—and that is right, a whole lot of folks now set themselves up in a lobby someplace and say we are appearing to be like a bank or want to behave like a bank—the banks say if that is the case, we want to get into their business. So now we have the kind of initiative here in the Congress that says: Let's forget the lessons of the past; let's believe the 1920s did not happen; let's not worry about Glass-Steagall. In fact, let's repeal Glass-Steagall; let's decide we can merge once again or fuse together banking enterprises and more risky enterprises, and we can go down the road just as happy as clams and everything will be just great. And of course it will not.

I mentioned hedge funds—talk about risk. How about derivatives? Incidentally, those who vote for this bill will remember this at some point in the future when we have the next catastrophic event that goes with the risks in derivatives. Fortune magazine wrote an article, "The Risk That Won't Go Away; Financial Derivatives Are Tightening Their Grip on the World Economy and No One Knows How to Control Them." Somewhere around $70- to $80 trillion in derivatives.

I wrote an article in 1994 for the Washington Monthly magazine and derivatives at that point were $35 trillion. You know something, today in this country banks are trading derivatives on their own proprietary accounts. They could just as well put a roulette wheel in the lobby. They could just as well call it a casino. Banks ought not be trading derivatives on their proprietary accounts. I have an amendment to prohibit that. I don't suppose it would get more than a handful of votes, but I intend to offer it.

Is it part of financial modernization to say this sort of nonsense ought to stop; that banks ought not be able to trade derivatives on their own proprietary accounts because that is inherently gambling? It does not fit with what we know to be the fundamental nature of banking and the requirement of the perception of safety and soundness of these institutions. Does anybody here think this makes any sense, that we have banks involved in derivatives, trading on their own proprietary accounts? Does anybody think it makes any sense to have hedge funds out there with trillions of dollars of derivatives, losing billions of dollars and then being bailed out by a Federal Reserve-led bailout because their failure would be so catastrophic to the rest of the market that we cannot allow them to fail?

And as banks get bigger, of course, we also have another doctrine. The doctrine in banking at the Federal Reserve Board is called, "too big to fail." Remember that term, "too big to fail." It means at a certain level, banks get too big to fail. They cannot be allowed to fail because the consequence on the economy is catastrophic and therefore these banks are too big to fail. Virtually every single merger you read about in the newspapers these days means we simply have more banks that are too big to fail. That is no-fault capitalism; too big to fail. Does anybody care about that? Does the Fed? Apparently not.

Of course the Fed has an inherent conflict of interest. I think, if the Congress were thinking very clearly about the Federal Reserve Board, they would decide immediately that the Federal Reserve Board is not the locus of supervision of banks. The Federal Reserve Board is in charge of monetary policy. It is fundamentally a conflict of interest to be listening to the Fed about what is good for banks when they are involved in running the monetary policy of this country. If the Federal Reserve Board were, in my judgment, doing what it ought to be doing, it would be leading the charge, saying we need to regulate risky hedge funds because banks are involved in substantial risk on these hedge funds. Apparently hedge funds have become too big to fail. Then there needs to be some regulation.

The Fed, if it were thinking, would say we need to deal with derivatives, and that bank trading on proprietary accounts in derivatives is absurd and ought not happen. Some will remember in 1994 the collapse in the derivative area. You might remember the stories. "Piper's Managers' Losses May Total $700 Million." "Corporation After Corporation Had to Write Off Huge Losses Because They Were Involved in the Casino Game on Derivatives." "Bankers Trust Thrives on Pitching Derivatives But Climate Is Shifting." "Losses By P&G May Clinch Plan to Change."

The point is, we have massive amounts of risk in all of these areas. The bill brought to the floor today does nothing to address these risks, nothing at all, but goes ahead and creates new risks by saying we will fuse and merge the opportunities for inherently risky economic activity to be combined with banking which requires the perception of safety and soundness.

We have all these folks here who know a lot more about this than I do, I must admit, who say: Except we are creating firewalls. We have subsidiaries, we have affiliates, we have firewalls. They have everything except common sense; everything, apparently, except a primer on history. I just wish, before people would vote for this bill, they would be forced to read just a bit of the financial history of this country to understand how consequential this decision is going to be.

I, obviously, am in a minority here. We have people who dressed in their best suits and they just think this is the greatest piece of legislation that has ever been given to Congress. We have choruses of folks standing outside this Chamber who spent their lifetimes working to get this done, to say: Would you just forget all that nonsense back in the 1930s about bank failures and Glass-Steagall and the requirement to separate risk from banking enterprises; just forget all that. Time has moved on. Let's understand that. Change with the times.

We have folks outside who have worked on this very hard and who very much want this to happen. We have a lot of folks in here who are very compliant to say: Absolutely, let me be the lead singer. And here we are. We have this bill, which I will bet, in 5, 10, 15 years from now, we will be back thinking of this bill like we thought of the bill passed in the late 1970s and early 1980s, in which this Congress unhitched the savings and loans so some sleepy little Texas institution could gather brokered deposits from all around America and, like a giant rocket, become a huge enterprise. And guess what. With all the speculation in the S&Ls and brokered deposits and all the things that went with it that this Congress allowed, what did it cost the American taxpayer to bail out that bunch of failures? What did it cost? Hundreds of billions of dollars. I will bet one day somebody is going to look back at this and they are going to say: How on Earth could we have thought it made sense to allow the banking industry to concentrate, through merger and acquisition, to become bigger and bigger and bigger; far more firms in the category of too big to fail? How did we think that was going to help this country? Then to decide we shall fuse it with inherently risky enterprises, how did we think that was going to avoid the lessons of the past?

Then the one question that bothers me, I guess, is—I understand what is in this for banks. I understand what is in it for the security firms. I understand what is in it for all the enterprises. What is in this for the American people? What is in it for the American people? Higher charges, higher fees? Do you know that some banks these days are charging people to see their money? We know that because we pay fees, obviously, to access our money at bank machines. But credit card companies, most of them through banks, are charging people who pay their bills on time because you cannot make money off somebody who wants to pay their bill every month.

If you have a credit card balance—incidentally, you need a credit card these days, because it is pretty hard to do business in cash in some places. You know with all the bills, everybody wants to use credit cards. Many businesses want you to use credit cards. So you use credit cards, then you pay off the entire balance at the end of every month because you don't want to pay the interest. Some companies have decided you should be penalized for paying off your whole balance. Isn't that interesting? You talk about turning logic on its head, suggesting we don't make money on people who pay off their credit card balance every month, so let us decide that our approach to banking is to say those who pay their credit card bill off every month shall be penalized.

Turning logic on its head? I think so. As I said when I started, I am likely to be branded as hopelessly old fashioned on these issues, and I accept that. I suspect that some day in some way others will scratch their heads and say, "I wish we had been a bit more old fashioned in the way we assessed risk and the way we read history and the way we evaluated what would have made sense going forward in modernizing our financial institutions."

Oh, there is a way to modernize them all right, but it is not to be a parrot and say because the industry has moved in this direction, we must now move in this direction and catch them and circle them to say it is fine that you are here now. That is not the appropriate way to address the fundamental challenges we have in the financial services industry.

I am not anti-bank, anti-security or anti-insurance. All of them play a constructive role and important role in this country. But this country will be better served with aggressive antitrust enforcement, with, in my judgment, fewer mergers, with fewer companies moving in to the ''too big to fail'' category of the Federal Reserve Board, with less concentration.

This country will be better served if we have tighter controls, not firewalls that allow these companies to come together and do inherently risky things adjacent to banking enterprises, but to decide the lessons of the 1930s are indelible transcendental lessons we ought to learn and ought to remember.

Mr. President, I have more to say, but I understand my time is about to expire.

The PRESIDING OFFICER (Mr. INHOFE). The Senator's time has expired.

Mr. DORGAN. Mr. President, at some point, I will have three amendments to offer, two of them on hedge funds and one of them on derivatives. I understand the Senator from Texas is in line and has the opportunity to offer two amendments.

My hope is to offer my first derivative amendment following the Senator from Texas. I understand the Senator from Texas indicates he wants to try to finish the bill this evening. I understand managing the bill is difficult and he wants to get through these things. I will not speak at great length on my amendments.

I appreciate the Senator's courtesy this morning in allowing me to make an opening statement. If he intends to finish the bill tonight, I will be here. He said if we have amendments to bring them over. I will be here. If the Senator wants my amendments, I will offer them and that will give us a chance to talk about them and deal with them.

The PRESIDING OFFICER. Under the previous order, the Senator from Texas is recognized.

Mr. GRAMM. Mr. President, this is an important bill. I have had problems myself with this bill in the past in other forms. I understand the Senator has strong feelings. It may well be that some of his amendments we can take. If the Senator will get them to us as quickly as he can, we will look at them, and if we can take them, we will. If we cannot, then the only thing we can do is have them presented, have him debate them, and then we will have a vote on them.

Mr. SARBANES. Will the chairman yield?

Mr. GRAMM. I will be happy to yield.

Mr. SARBANES. On the point of amendments, I think it would be very helpful to the managers if Members could now let us know in the next hour or so whether they have amendments they intend to offer and what the subject matter will be. That will give us a chance to think about how we might structure the day.

The leader's intent, as I understand it, is to try to finish this bill tonight. I think the chairman will probably agree with me that there is the real possibility that we could do that, but in order to accomplish that, it would be very helpful if Members who are thinking of offering amendments would let us know about them so we can incorporate that factor into our thinking as we think about how we are going to move the bill along. I would be most appreciative if people could do that.

Mr. DORGAN. May I inquire, if I can ask a question of the manager, if we have amendments when will they likely be considered? The Senator from Texas has now an opportunity to offer two amendments, right? Will there be substantial debate on those amendments?

Mr. GRAMM. I don't think so at this point. One of the reasons we are letting people go is to look at them. There will be a vote on one of them, sort of as a bed check to get everybody awake and ready to get going. I don't believe, or it is not my intention, that either one of them will be very controversial or be long debated.

If the Senator can get his amendments to us and let us look at them so we know what he is offering, again, it might be possible we can work something out and take the amendments or some part of them. It is always better not to talk if one can win without talking, but if you can't win, talking is often the best thing to do. Maybe we can work it out. Again, we are in an accommodating mood this morning.

Mr. DORGAN. I say the worst possible position is to not be able to win and not be able to talk.

Mr. GRAMM. I can assure the Senator, we are not going to prevent him from talking.

Mr. DORGAN. I will provide all three amendments to the chairman immediately and will be available all morning so I will not hold up his bill.

Mr. GRAMM. Mr. President, I ask unanimous consent that, while holding our current order exactly as it is, I yield to the distinguished Senator from Pennsylvania to offer an amendment which he will debate and then withdraw.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. SANTORUM. Thank you, Mr. President.

AMENDMENT NO. 307

(Purpose: To require the obligations of the Financing Corporation to be paid from certain excess funds of the deposit insurance funds and for other purposes)

Mr. SANTORUM. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Pennsylvania [Mr. SANTORUM] proposes an amendment numbered 307.

Mr. SANTORUM. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

At the appropriate place, insert the following:

(e) USE OF FUND RESERVES TO PAY FICO OBLIGATIONS.—

Section 7(b)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(2)) is amended by inserting after subparagraph (C) the following:

''(D) USE OF DEPOSIT INSURANCE FUNDS TO PAY CERTAIN FINANCING CORPORATION OBLIGATIONS.—

''(i) IN GENERAL.—Beginning on January 1, 2000, the Board of Directors shall use the funds of the Bank Insurance Fund and the Savings Association Insurance Fund in excess of 1.35 percent of estimated insured deposits or such level established by the Board of Directors pursuant to Section 7(b)(2)(A)(iv)(II) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(2)(A)(iv)(II)) to pay the bond interest obligations of the Financing Corporation.

''(ii) LIMITATION.—If the funds available under clause (i) are insufficient to meet the Financing Corporation's annual interest obligations, the Board of Directors shall use such amounts available under clause (i) and shall impose a special assessment, consistent with 12 U.S.C. 1441(f)(2) and Section 2703(c)(2)(A) of the Deposit Insurance Funds Act of 1996, on insured depository institutions in such amount and for such period as is necessary to generate funds sufficient to permit the Financing Corporation to meet all interest obligations due.

Mr. SANTORUM. Mr. President, I rise as a member of the Banking Committee to, first, express my support for the bill. I think the chairman has done an admirable job in trying to fashion a bill that takes what was a very complicated, overly complex measure last year and simplified it and streamlined a lot of the organizational structures and dealt with things in a much more straightforward fashion. I think as a result, we have a much cleaner and much better, more understandable, from an administrative point of view, proposal than what we were dealing with last year. I commend the chairman for that.

Just like every other Member here, there are certain parts of the bill of which I am less supportive. In fact, some parts of the bill I am not supportive of at all and feel it is an obligation of mine to come forward and do what I can to make some of those changes.

One section of the bill that I do not support is section 304. Section 304 extends for 3 years the differential that savings institutions, thrifts, have to pay vis-a-vis banks on what are called FICO obligations or FICO bonds. That is the Financing Corporation bonds that were issued to resolve the Federal Savings and Loan Corporation during the savings and loan crisis a few years ago.

These bonds were necessary. The industry that was involved—more responsible, some will argue—the thrift industry, was assessed a higher assessment to pay those bonds. The banking industry, which had less problems, was assessed a lower assessment, five times lower. Without this bill, in a year's time, the amount of money, the amount of assessment would equalize. Instead of the thrifts paying 6 basis points and the banks paying 1.2 basis points, both the banks and thrifts would pay 2.2 basis points.

I think that is fair. It should be equalized. Certainly the thrifts have paid their fair share, and then some, with respect to resolving the crisis that occurred in their industry. To continue this competitive disadvantage I think is not wise, given, in particular, the fact this bill has a lot in it for large banks, has a lot in it for the banking industry, and a lot of my small banks and thrifts have said there really is not much in it for the smaller, more community-oriented banks and for thrift institutions.

While we are providing more opportunities for the larger banks, under the chairman's bill, the committee bill, we keep this additional disparity between savings institutions and banks. So I think it is a fair way to move forward given the state of play.

The problem is that I do not think it is fair enough. Striking that section—I know there are several amendments out here to strike that section and allow the equalization of the assessments to go on—I think is a good step but, frankly, it is not a step that goes far enough. And the reason I say that needs a little explanation.

Right now the interest that we need, the amount of money that we have to pay for the FICO bonds, the Financing Corporation bonds, that runs about $780 million a year. That is to pay the obligations on the FICA bonds. That money is paid by this assessment on thrifts and banks.

Thrifts and banks also historically have another assessment that paid money into a reserve account, as is prudent, so we have a reserve fund that can pay on the guaranties for deposits in banks and savings organizations.

That capital fund is overcapitalized. There is more money in that account than is necessary to meet the reserve requirement of 1.25 percent of deposits. And so as a result, the assessments on banks and savings institutions have been basically eliminated with very few exceptions. But they continue to be assessed to pay the FICO bonds.

What I have found, in looking at these accounts, is that there is far more money in the reserve accounts than is needed to meet the 1.25 percent of deposits that we need in that reserve account. In fact, that reserve account, that money that was paid to capitalize the reserve account, is invested in Government bonds—should be invested, of course—and it is invested in Government bonds.

The interest on that reserve account, through the investment in Government bonds, is about $2 billion a year. That is about how much interest we are bringing in and adding to the reserve account every year. And it is growing, by the way. Every year it continues to grow. We are adding about $2 billion a year in interest. So the reserve account, which is already overcapitalized, continues to grow.

In fact, if you look at where this account has grown—remember, we are supposed to have in this reserve account 1.25 percent of deposits. In 1996, it was 1.3 percent; in 1997, it was 1.36; in 1998, it was 1.39. That is in the SAIF fund, which is the savings account fund. In the BIF fund, which is the bank, it is 1.34; it is going up to 1.38 in 1999. We are seeing a growth in both of those funds, and that is projected to continue to grow.

You may ask the question, Why are we letting it continue to grow? Well, because there are no failures in banks. We are not having to insure the deposits and pay the money. But it is well in excess of the amount that we need. And it is earning $2 billion a year, thereby growing.

What I am saying is that we have more than we need in this account; it is growing at a rate of about $2 billion a year, and yet we are still assessing banks and savings institutions money to pay FICO bonds. Why don't we use the interest that is being spun off from the investment in the reserve account to pay the FICO bonds and that way eliminate the assessment on banks completely, which is basically a $780 million tax, when we have a fund that is growing far in excess of what we need in the reserve accounts?

That is what my amendment would do. It would basically say that there isn't any reason to continue to assess banks and savings institutions to use that capital to pay FICO. Let the capital stay with the banks, stay with the savings institutions, be used to lend, to create more money, more capital available for more credit.

It is estimated that with my amendment next year alone it would make $10 billion of credit available—$10 billion of new credit available if we pass my amendment. That money, again, which has already been generated in excess of what we need, would be used to pay the FICO obligations.

I sort of like what is going on here with respect to the deposit insurance funds, the reserve funds, what goes on in a lot of trust funds in Government. We had almost the identical situation with the highway trust fund, and we had the courage, through the leadership of Chairman SHUSTER over in the House, to stand up and say, ''Look, we're paying all this money in gas taxes. It is going into the highway trust fund. But we are only appropriating a fraction of the money that is actually coming in.'' In other words, consumers—taxpayers—were paying much more money in taxes going into the trust fund than was ever going to be used in the trust fund.

What was happening to the difference? What was happening to the difference was we were just building up this highway trust fund money that we would never use. Why would we want to do that?

The same question here is, if we already have enough money to pay the FICO bonds with interest on the reserve accounts, why do we need to continue to assess banks? Well, there is only one reason why we continue to assess banks and savings institutions. It is because it counts as money to the Federal Government and it scores for the budget.

Wait a minute. What does that mean? What that means is that we can show a lower deficit because we have $780 million coming in. That money will never be spent. It will never be spent. It will just continue, in some way, to grow within the reserve account, which money will never be used because we have far in excess of what anyone has anticipated. By the way, that number continues to grow.

So we have in a sense here in the banking bill the identical situation as we had in the highway trust fund; which is, we are assessing somebody, ultimately the consumer, because they ultimately pay these taxes or these assessments, we are assessing them $780 million a year to go into a fund that does not need the money, that is used purely—purely—to hide the deficit so we can spend money somewhere else. So what we want to do is say, let's do here what we did with the highway trust fund.

The reason I am withdrawing my amendment—this is a good amendment. It is what we should do. This is truth in budgeting. We always talk about truth in budgeting and the Social Security trust fund and the highway trust fund. Here is another, in a sense, trust fund that we are putting money into that is never going to be used, simply to hide the deficit. But if we take that money out of the revenue stream, there will be some who will come down here to the floor and say, ''Aha, you're going to raise the deficit and thereby take money out of Social Security or thereby not have enough money for us to do a tax cut or thereby not have enough money to do whatever else we want to do.''

The fact is, this is money that we should not be assessing because there isn't the need to assess it. But it is there. It is a tax. It is a tax going into a trust fund that does not need the money. But we are going to put it in there anyway because then we can issue bonds.

Does this sound familiar to Social Security? We do not need the money in Social Security. We have enough money to pay, but we continue to charge people higher FICA taxes, higher Social Security taxes. We have a surplus. And what do we do with that surplus? We buy Government bonds. What does that surplus do? It hides the real deficit.

What are we doing here with this FICO? It is interesting—FICA-FICO. What are we doing with FICO? We are charging banks and savings institutions more money than is needed. To do what? To buy Government bonds. To do what? To hide the deficit. To do what? So we can spend the money somewhere else.

The trust fund scams that go on here in Washington, when we set up these separate accounts—but we count them in the general fund. We count them in the overall budget calculations and create some very troubling policies.

It is a policy that we fixed when it came to gas taxes in the highway trust fund. It is a policy we are going to try to fix when it comes to Social Security. It is a policy that we should fix when it comes to banks and savings institutions, although it is very difficult to come to the floor and say, we should reduce taxes on banks and thrifts because they are paying too much in taxes.

It is not a very popular tax cut, if that is the way you are going to look at it. But this is not a tax cut; this is an assessment to make sure there is adequate money in reserves to pay the guarantee. These are banks putting money in there to make sure there is money available to pay insured deposits. That is what this is about. There is more money than we need in there right now, far in excess of the requirements, and yet we continue to assess it.

That is wrong. That is not a tax to pay for government. That is not a tax to pay for something else. It is an assessment to do a specific thing. There is more money than we need to do that specific thing. Yet we continue to assess. Why? Because it counts in the general budget, and we do not want to reduce the amount of money coming into the general budget, even though that money doesn't go to the general fund; it goes to this trust fund. The trust fund then buys bonds and then we use the money.

That is wrong. We should not allow that to happen. I will support the motion to strike section 304 because it is all we can accomplish, but I will continue to work, not just with this trust fund but with the other trust funds we have here in Washington that have been integrated into this budget, that hide the real cost of government. That is what we are dealing with here. We are hiding the real cost of government. We are making banks, savings institutions, pay money that there is no need for them to pay to hide the cost of government.

That is wrong. That is not truthful budgeting. If we want to tax banks more money, if we want to go out there and tax them, say you are not paying enough in taxes, we are going to tax you $780 million a year so we can have more money in Washington, then let's be straightforward. Let's just go tax them and have a debate on that. But to continue to have them pay this assessment—don't call it a tax; it is an assessment—when there is plenty of money in there that would alleviate the need to pay that assessment is wrong.

I am very disappointed that this amendment is subject to a budget point of order, which means I would have to get 60 votes to allow this amendment to go in. Why is it subject to a budget point of order? Because this assessment counts as revenue to the Government and would throw the budget out of balance, if we passed my amendment.

Some will claim, you are going to take this money out of this, or this, or whatever. The fact is, this is not a tax; it is an assessment for a particular purpose, to capitalize a reserve fund to make sure there is money there to pay guaranteed deposits.

There is more money. The reserve requirement is 1.25 percent. In the current accounts, it is almost 1.4 percent. There is almost a billion dollars more in the accounts than is necessary to pay to meet the minimum reserve requirement, yet we continue to assess more and more and more.

Again, I can't tell you how disappointed I am that we continue this fraudulent budget practice. It is certainly my intent, while we will not be successful today with this amendment, to fight this battle and other battles for truth in budgeting where fraudulent trust funds are used to subsidize other government spending. That is not right. It is not right to this industry. It is not right to those who want available credit, because we are driving credit by having these assessments. It is certainly not right with respect to Social Security and the other trust funds that are being abused by the general government to hide deficits for this country.

Mr. President, I ask unanimous consent to withdraw my amendment.

The PRESIDING OFFICER. Without objection, the amendment is withdrawn.

The amendment (No. 307) was withdrawn.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative assistant proceeded to call the roll.

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

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

AMENDMENT NO. 308

(Purpose: To strike a provision relating to a 3-year extension for BIF-member FICO assessments, to provide for financial information privacy protection, and to provide for the establishment of a consumer grievance process by the Federal banking agencies)

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

The PRESIDING OFFICER. The clerk will report.

The legislative assistant read as follows:

The Senator from Texas (Mr. GRAMM) proposes an amendment numbered 308.

Mr. GRAMM. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

Mr. GRAMM. Mr. President, the Senate Banking Committee has worked on this bill for a long time. In fact, this has been a live issue in the Congress for over 25 years. We are making progress toward at least having the Senate act. I think no one is under any delusion about the fact that we have a lot of work to do. We have a conference, and we have a President who ultimately is going to have a say in this through his ability to veto. Obviously, at some point we are going to sit down with him in the process and listen to his viewpoint and see to what degree we can come together.

But I thought it was a good time in the process here in the Senate to take some action to try to clear out some differences that exist between proposals that Senator SARBANES made in committee and positions which were adopted by the committee itself. There are two areas in this amendment where we adopt the position of the Sarbanes substitute which was considered by the Senate yesterday. What I would like to do is to explain these differences and then give Senator SARBANES an opportunity to talk about it.

The first has to do with striking the FICO provision. It is always dangerous to try to do good things on an important bill. No good deed goes unpunished. I had a provision in the underlying bill which was trying to deal with a problem, and the problem is that we have two separate insurance funds and they have had very different insurance premiums; but we had set out an automatic pilot process to bring those two funds to the same insurance rate, with the idea that Congress, while this was happening, was going to end up merging the two insurance funds.

Well, as often happens, Congress ended up passing no bill related to merging the two insurance funds, and on the last day of the millennium, on December 31 of 1999, these two rates are going to be merged by law. And so I thought, well, this is a chance to have a good Government provision, so we will postpone that to give the conference and the Congress an opportunity to do what we said we would look at doing when we started merging these two rates.

It is clear now that there is sufficient opposition to this provision, and I am not sure where the votes would be if we tried to leave it where it is. But it seemed to me, with all the big issues we have to deal with in this bill, that it is not worth fighting this issue. And so the first provision of this amendment strikes the so-called FICO provision and allow current law to operate to assure that the insurance premiums of the two separate insurance funds for deposit insurance will be harmonized on the last day of this year.

The second provision deals with antifraud provisions and with this emerging issue of privacy. I want people to understand that by adopting the provisions of the Sarbanes bill on privacy, I am not saying to the Senate, nor is Senator SARBANES, I am sure—and he will speak for himself—that this is the end of the debate. This is a very important issue. Privacy is a fundamental right that people have, and the question is trying to balance that right against the new technology which we all benefit from, and which we all find ourselves forced to operate within. It is not easy. This is a beginning.

What I want to say to Members of the Senate is that, as a gesture toward promoting bipartisanship, I want to move to adopt these provisions from the Sarbanes substitute. But I want to go further than that. I want to commit that the Banking Committee will hold hearings on privacy issues. I want to commit that we will hold those hearings in both the subcommittee and at the full committee level; that we will begin the hearings with testimony from any Member of the House or Senate who wishes to testify; that we will hold comprehensive hearings so that anybody who has a legitimate viewpoint or represents any group which has a stake in this issue would have an opportunity to testify and have their position heard.

Now, basically, in this amendment we make illegal a number of practices, where basically people are engaging in fraud and dishonest behavior. In addition, we require a GAO report on financial privacy. The amendment requires that GAO, in consultation with the Federal Trade Commission and the Federal banking agencies, report to the Congress on the efficacy and adequacy of the remedies provided to prevent false pretext calls to obtain financial information and recommendations for any additional legislation to prevent pretext calling.

We have a Federal Trade Commission report to Congress on financial privacy. The amendment requires the Federal Trade Commission to submit an interim report to Congress on its ongoing study of consumer privacy issues.

We establish a consumer grievance process. I think one of the things which has happened to every Member of the Senate is that we now find, in the absence of an organized process, that people tend to call us when they have problems of this nature. What we want to do in this amendment is require the Federal banking regulators to create a consumer grievance process for receiving and expeditiously addressing consumer complaints alleging a violation of regulations issued under this bill. These are regulations in section 202 having to do with consumer protection. Each Federal banking agency is required to (1) establish a group within each regulatory agency to receive consumer complaints; (2) develop procedures for investigating such complaints, (3) develop procedures for informing consumers of rights they may have in connection with such complaints, and (4) develop procedures for addressing concerns raised by such complaints, as appropriate, including procedures for the recovery of losses to the extent appropriate.

This is not the end of the debate. This does not solve the privacy problems in America. But I believe Senator SARBANES is correct that this is the beginning of the debate. I have just touched on a portion of the provisions. He is more expert than I on them. But I believe they represent an important step in beginning the debate on this issue of privacy.

I think it is important we begin this debate on a bipartisan basis. Therefore, I have sent this amendment to the desk adopting the privacy portions of the Sarbanes substitute.

I yield the floor.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Mr. President, first of all, I want to indicate right at the outset that I am supportive of this amendment which the chairman has sent to the desk. I would like to address briefly the two aspects of it.

First of all, it would preserve current law that ends the FICO assessment differential at the end of 1999.

Actually, my colleague, Senator JOHNSON, was going to offer an amendment later, and part of that amendment would encompass this provision as well. That is an amendment that addresses the unitary thrift issue, which I believe is probably an amendment we will be able to get to fairly shortly this morning. In fact, the chairman and I are hopeful that when we do that, we will be able to work out a time agreement with those who are interested in the amendment so we could structure that debate, structure the vote, and Members would know how we are moving ahead.

We indicated earlier, and I want to repeat the request—I will do it after we vote on this amendment—that Members who have amendments to let us know. Of course, we know about the unitary thrift amendment. We know about the op-sub amendment. We know that some Members are thinking of offering amendments. The chairman indicated earlier that, if we could see them, we might be able to work out accommodations with people offering amendments.

It will be very helpful to us if Members will let us know. I think an opportune time will be when we have the vote on this amendment, or shortly thereafter we could begin to try to program and plan the day.

The FICO assessment differential—let me briefly describe the legislative background and show why the current law should be preserved.

In 1996, Congress passed the Deposit Insurance Funds Act of 1996 to resolve the disparity.

Let me just say this amendment has two things: the FICO differential and this antifraud privacy provision in it. As the chairman has indicated, that is just a small step. I am going to address that shortly.

Many Members have a very keen interest in the privacy issue. The privacy concerns which they have been focused on are sort of broader and separate and more extensive than what is in this amendment. But this amendment in and of itself, I think, is desirable, although it by no means addresses the privacy question in any broad or full manner.

Coming back to the FICO assessment differential, when we passed the Deposit Insurance Funds Act of 1996 to resolve the disparity between the assessments being charged by the SAIFs and the BIFs to the thrifts and the banks for payment of interest on bonds issued by the financing corporation, so-called FICO bonds, it paid depositors of institutions that failed during the thrift crisis.

Actually, the differential that caused thrifts to migrate assessable deposits to the BIF fund, the Bank Insurance Fund, in order to reduce their premiums, that obviously over time could have led to a destabilization of the SAIF funds.

The legislation in 1996 required SAIF-insured institutions to pay a one-time $4.5 billion payment to the SAIF funds, and for 3 years, until the end of 1999, to pay assessments at a rate of 6.1 basis points of deposits, which was five times the rate at which BIF-insured funds were assessed. Then, as it were, as part of the arrangement for the thrifts undertaking these large payments, a one-time $4.5 billion payment and the five-time multiple on the assessment rate going into the SAIF funds, the Congress provided that the assessments would be equalized in the two funds no later than January 1, 2000, and the same rate would be assessed on BIF and SAIF-assessable deposits thereafter.

The bill before has a provision in it, which the chairman has now proposed to strike, but that provision, if it remained, would extend the premium differential for another 3 years and, therefore, require SAIF-insured savings associations to pay a much higher deposit assessment for another 3 years, whereas the existing law would have eliminated that differential at the end of this year. This obviously would impose very significant additional and unexpected costs.

I think, in thinking about this, that we have to really think about it in terms of in the sense of what the understanding was in 1996, what the expectations were, what the planning has been, and, of course, if we don't allow the law to take effect as it was laid out to do in 1996 in the Deposit Insurance Funds Act, we markedly changed people's expectations and people's planning.

OTS Director Seidman and FDIC Chairman Tanoue both testified before the Senate Banking Committee opposing this section. Director Seidman testified that in a sense both BIF and SAIF-insured institutions have expected the FICO rate differential to end at the end of this year. Extending it could revive the incentive to shift deposits from the SAIF to the BIF.

Deposit shifting represents a waste of resources and could unnecessarily lead the SAIFs less able to diversify to risks. FDIC Chairman Tanoue testified that faced with the possibility of a persistent rate differential, holders of SAIF-insured deposits may feel it is in their best interests to try to shift deposits to the BIF. This would result in the very inefficiencies that the Funds Act was intended to eliminate.

Subsequently, FDIC Chairman Tanoue sent a letter to Chairman GRAMM urging the elimination of section 304, and stating if the differential is extended ''inefficiency and waste will reemerge as institutions expend time and money to avoid this unequal fee structure.''

Mr. President, I think obviously we need to give careful consideration to these arguments advanced by the FDIC and the OCC. The substitute which Senator DASCHLE and we proposed at the outset of these deliberations did not extend the differential. We did not have this provision in there, and, therefore, we stuck with existing law which would have eliminated the differential at the end of this year.

No compelling reason has been brought to my attention that would require us to reopen this issue and extending the differential. The thrifts have been performing their obligations under the Funds Act by paying the $4.5 billion one-time payment, plus the payment on their deposits, which is five times the payment the banks are paying under the BIF on their deposits.

I agree with the amendment in striking the provision that would have carried the differential out for another 3 years contrary to the understanding and everyone's assumption on the basis of the 1996 law.

Now, Senator JOHNSON will be offering an amendment which addresses the unitary thrift issue, and I think that is a very important amendment. He had, as part of that amendment, this particular provision with respect to the differential. I think it is very important as Members consider the Johnson amendment to understand that what he will be offering on the unitary thrift issue is in the context of this change, as well, with respect to the differential.

Looking at the Johnson amendment on the unitary thrift, to be fair to Senator JOHNSON and what he was seeking to accomplish, one would have to keep in mind or take into account that part of his approach encompassed this FICO assessment differential which is now contained in the amendment offered by the chairman.

Members, therefore, as they examine the Johnson amendment—and I will make that point later, as well—need to appreciate his effort to try to come up with what I call a balanced, well-thought-through, reasoned, balanced approach in trying to deal with these issues which are in some ways connected with one another. Senator JOHNSON was trying very hard to put together a balanced package. The adoption of this amendment makes it unnecessary to be in the Johnson amendment, which ought not result in perceiving that the Johnson amendment is in any way unbalanced. Because of its approach it essentially encompassed this proposal, as well.

Let me turn to the antifraud provision that is in this legislation. At the outset, let me be very clear. The chairman referred to the privacy provisions of the Sarbanes bill. There are two Sarbanes bills on this issue. I want to be very clear about it. One was the substitute which we offered which contained within it the provisions of last year's bill on the Financial Information Antifraud Act. Separately, there is a bill that I have introduced along with Senator DODD, Senator BRYAN, Senator LEAHY, Senator EDWARDS, and Senator HOLLINGS, and a number of other colleagues have expressed a very strong interest in this legislation which is a much more comprehensive approach to the privacy question.

That bill would give customers notice about how their financial institutions share or sell their personally identifiable sensitive financial information. We think it is an extremely important issue. Of course, the chairman has indicated that he also regards it as an important issue, and he made the commitment this morning that the committee would undertake a comprehensive hearing with respect to this question of financial privacy.

I support the specific provisions in this amendment. I am pleased that we are considering these welcomed and much needed antifraud provisions. However, I have to underscore, again, they do not begin to address the larger issues of financial privacy and the need to give customers an informed voice in what is happening with their most confidential financial data.

Some have called the amendment that is before the Senate a so-called privacy amendment, but I think it is more appropriate to call it an antifraud measure. What people are now talking about as a privacy issue really is much more encompassed by this separate bill, which I indicated Senators DODD, BRYAN, LEAHY, EDWARDS, and HOLLINGS have joined with me in introducing, and which many of our colleagues on both sides of the aisle have expressed an interest in. I know there are colleagues on the Republican side of the aisle, as well as on this side of the aisle, who are very concerned about the broader privacy question.

This amendment prohibits the use of fraud to obtain sensitive customer financial data from a bank. The use of fraud, in order to get this data from a bank, clearly is something we need to shut down. That is obviously a desirable and appropriate provision. However, this proposal does not require financial institutions to safeguard customer data. This goes to when people use fraud to somehow get that customer data out of the financial institution.

This amendment doesn't address the increasingly common situation where companies pay banks for sensitive information without the knowledge or consent of their customers. Unfortunately, few Americans know that under current Federal law a bank, stockbroker, or insurance company may transfer information about a customer's transactions or experience to a third party without notifying the customer that the information is being shared, or obtaining the customer's consent. Such information can include savings and checking account balances, CD maturity dates, security purchases and insurance payouts. Americans are becoming increasingly concerned about the issue. That is very clear.

Last month, the American Association of Retired Persons published a survey finding in which 78 percent of the people surveyed disagreed with this statement. Here is a statement that was put to people which 78 percent disagreed with:

> Current Federal and State laws are strong enough to protect your personal privacy from businesses that collect information about consumers.

Mr. President, 78 percent disagreed with that statement. In other words, they did not think that current Federal-State laws were strong enough to protect their personal privacy. Ninety-two percent of the respondents in this AARP survey said they would mind if a company they did business with sold information about them to another company.

At the start of this Congress I introduced S. 187, the Financial Information Privacy Act of 1999 to which I referred, in which Senators DODD, BRYAN, EDWARDS, LEAHY and HOLLINGS joined. That bill will give customers the right to be told before their banks sell or share their account balances, their CD maturity dates, their credit card purchasing history and other sensitive financial information. It will give them the right to object to the sharing of this information.

Think of the kind of information now that has no restraint upon it in terms of it being shared or sold. I think it is clear that most people have no real understanding or appreciation that this takes place and would not want it to happen.

S. 187 has received strong support from leading consumer and privacy advocate groups. This is an issue that is high on the President's agenda. Just this week, the President unveiled a plan for financial privacy and consumer protection in the 21st century. This plan would require institutions to inform consumers of plans to share or sell their financial information and give the consumer the power to stop it. In his radio address, the President said he was ''working to give you the right to control all the information on whom you write checks to, what you buy on your credit card and how you invest. We want to prevent anyone from encroaching on your privacy for their profit.''

In conclusion on this issue, first of all, let me again indicate my strong support for the provision that is before the Senate which seeks to stop the use of fraud to obtain a consumer's confidential financial information. That provision was in the bill we brought out last year. It was in the alternative which was offered earlier. We welcome the chairman's willingness to place it in the bill that is before the Senate.

However, I do want to note that this very limited amendment does not solve the serious problem of customers not knowing what is happening with their account balances, CD maturity dates and other transaction and experience information, and not having a choice as to whether this sensitive personal financial information is circulated to other companies.

This issue has the potential of being a controversial issue. I also think it has the potential on which a consensus can be worked out between protecting the consumer interest and the assertions which the financial institutions are making with respect to the burdens that might be placed upon them or how it would inhibit them from conducting legitimate financial activities.

That is something which needs to be carefully worked through, so I particularly welcome the indication by the chairman that we will hold hearings on these very important issues and undertake to develop real solutions to the growing problem of financial privacy. I think it is extremely important that we undertake that task. It is helpful this morning to have this indication and this commitment that the committee will do so.

Mr. President, I had indications earlier there were some Members on this side who wanted to address this privacy question, and I think we would give them a brief period to follow through on that indication of interest. If not, I would be prepared to move to a vote on this amendment.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, we have a Kosovo briefing at 11:30. To try to accommodate our colleagues, since they are all going to be coming over here anyway, I ask unanimous consent that a vote occur on the pending amendment No. 308 at 11:30 this morning and the time until 11:30 be equally divided in the usual form. I further ask consent that no amendment be in order to the amendment.

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

Mr. GRAMM. Mr. President, let me say, if we have more Members on one side who want to speak than the other, I would have no concern about yielding more time to Senator SARBANES' side if they have people who want to come over to speak on the general issue itself.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative assistant proceeded to call the roll.

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

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

Mr. GRAMM. Mr. President, I yield 15 minutes to the distinguished Senator from Florida, Senator MACK, so he might speak on an unrelated subject as in morning business.

The PRESIDING OFFICER. Without objection, the Senator from Florida is recognized.

MACK TAX PLAN

Mr. MACK. Mr. President, I thank Senator GRAMM for providing this time to me to make a statement with regard to a tax cut proposal that I have.

Mr. President, my job as chairman of the Joint Economic Committee is to help Congress stay focused on the right policies to keep the U.S. economy energized. What that comes down to is finding ways to make sure Washington does less of what today it does most—tax, spend, and regulate—in order to let the American people do more of what they do best—which is to build, create and innovate.

With that in mind, I instructed the JEC staff to focus on creating a tax plan that would accomplish three goals: first, provide tax relief for all American income taxpayers; second, promote even stronger economic growth; and third, ensure continued technological leadership in the 21st century. The plan I would like to talk about today accomplishes these three goals, and does so within the parameters of the on-budget surplus as estimated in this year's budget resolution. It does not use one penny from the Social Security surplus.

As Ronald Reagan once said, when he was defining a taxpayer—''that's someone who works for the Federal Government but doesn't have to take a civil service examination.'' This comment really gets to the heart of how the size and scope of the Federal Government affects the way we live our lives. Americans are spending more and more time working to give more and more of their hard-earned dollars in taxes every year to the Federal Government.

According to the non-partisan Tax Foundation, the average dual-income family will work until May 11 this year to pay their federal state and local taxes. So, as of today, the average American family has not even finished working to pay off their taxes for 1999.

This year, the Federal Government will collect more tax revenue as a share of GDP than at any time since 1944. This is the highest level in peacetime history—20.7 percent of GDP consumed by the Federal Government.

Since 1993, federal tax revenues have grown 52 percent faster than personal income growth. Last year alone, federal revenues grew 80 percent faster than personal income.

We have a balanced budget in 1999 and we've got balanced budgets as far as the eye can see. Soon, we'll have a federal surplus as far as the eye can see.

Our challenge now is to deal with that surplus. And, I think it's easy to see what will happen to this overpayment by the American taxpayer—if we leave it in Washington's hands. There will be numerous new government programs and they will be paid for by the Federal surplus.

We have to change the terms of debate—and we have to do it now before the surplus is spent. First, let's not forget that the American economy does not exist to feed the Federal budget. Now that the budget is balanced, we have to get our priorities straight.

To begin with: there is no such thing as ''public money.'' Every dollar of the Federal surplus was paid into the U.S. Treasury by American taxpayers. If we have a persistent surplus, we have to give the money back.

For years, my fellow Republicans and I argued that it was wrong for the Government to spend more than it took in. We were right. But now, it is equally wrong for the Government to take in more than it spends.

Yes, we should cut taxes so that people can keep more of what they earn. Yes, we should cut taxes because lower taxes spur economic growth. But the real rationale for lowering taxes—the reason tax cuts are an article of faith in the Republican Party—is that high taxes trespass on our freedom—our freedom to work, our freedom to invest, our freedom to support our families.

So in my mind, it is not a matter of if we cut, but how much, and how can we maximize the pro-growth impact of whatever tax cuts we decide to enact.

With these thoughts in mind, I would like to focus on what they Joint Economic Committee staff has come up with as a way to give the American income taxpayer meaningful tax relief, promote savings and economic growth, and ensure the United States remains a technological leader in the 21st century. And, Mr. President, I would like to elaborate on how this plan will accomplish each of these goals.

The first goal is tax cuts for all American income taxpayers.

Under this plan we would double the standard deduction to $14,400 for married filers and raise the standard deduction for single filers to $7,200. Increasing the standard deduction would provide much-needed relief to all low-income taxpayers. Moreover, this provision would significantly reduce the much-discussed marriage penalty and simplify the Tax Code. Nearly three-