

BUDGET RECONCILIATION PLAN HARDLY REVOLUTIONARY

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from North Carolina [Mrs. CLAYTON] is recognized for 5 minutes.

Mrs. CLAYTON. Mr. Speaker, last week, Congress passed an historical budget reconciliation plan—a plan that our Republican colleagues call revolutionary.

A revolution, however, involves more than change—a revolution involves change for the better, forward motion, progress. There is great doubt in my mind, and the minds of many of my constituents, that we are progressing.

While, the deed has been done, and the plan has passed, we are now in conference with the Senate, and there is still time to undo some of the damage from that plan.

If the damage is not undone, we will be left with no choice except to urge the President to veto the bill.

This evening, I want to again highlight the great harm that the Republican plan will do to rural America in the area of health care—because past pleas have been largely ignored.

Rural North Carolina, including my congressional district, like most of rural America, will be especially hard hit by these cuts.

Rural communities lack high paying jobs, often lack the infrastructure necessary for economic expansion and, on average, have incomes far below the average American. Rural communities will hurt more from the cuts.

The lack of basic resources and opportunities, such as employment, housing, education, and utility services, especially water and sewer, is compounded by limited access to quality health care and a shortage of health professionals, especially primary and family physicians.

The Republicans seem to want senior citizens to have health care that is cheaper.

Democrats want senior citizens to have health care that is better.

Cheaper and better are not the same. You get what you pay for.

They want to cut corners. We want to cut with conscience.

The Republicans want to put seniors in groups and choose doctors for them, because it's cheaper.

Democrats want seniors to choose their own Health Plan or doctors, because it's better.

Under the Republican plan, many seniors in rural North Carolina will be forced to travel many more miles to find a hospital, because it's cheaper.

Democrats want to prevent rural hospitals from closing because of cuts in Medicare, because it's better.

Cheaper could cost less, it could also cost more, but it could cost lives.

Why are the Republicans pushing a cheaper health care plan?

Because they are also pushing an expensive tax cut plan for wealthy Americans.

They have voted to cut the Medicare Program by \$270 billion so that they

can pay for a tax cut program of \$245 billion.

If the Republicans dropped their expensive tax cut plan for the wealthy, they would not have to push their cheaper health care plan for seniors.

Citizens of Rural America have incomes that are 33 percent—yes, one third—lower than their urban counterparts.

The elderly who live in rural areas are 60 percent more likely to live in poverty—60 percent.

Twenty-five percent of rural hospitals already operate at a loss, and that is because Medicare alone accounts for almost 40 percent of the average hospital's net patient revenue.

It is estimated that this plan will cost North Carolinians a loss of over \$3,000 for each Medicare recipient in North Carolina between now and the year 2002, and a loss of some \$900 for each recipient each year thereafter.

This cut in Medicare will reduce the size of the program by 25 percent—raising the cost of premiums and copayments to each of North Carolina's 999,000 Medicare beneficiaries.

And, when the Medicare cuts are combined with the cuts in the Medicaid Program, Federal health care dollars coming into North Carolina will be reduced by more than \$15 billion.

The Medicaid cuts affect North Carolinians of all ages—the elderly, children, the disabled, the poor.

There are some 985,000 Medicaid recipients in our State. We would be forced to eliminate coverage for almost half of those Medicaid recipients.

The Medicare cuts will be especially painful, since more than 8 out of 10 of all Medicare benefits go to senior citizens with incomes of \$25,000 or less.

Those who are pushing this cheaper plan fought the creation of Medicare in 1965, and now, in 1995, have voted to do what they failed to do in 1965—cut the comfort of retirement from our senior citizens.

Medicare spending in the rural areas of North Carolina will be cut by \$3.3 billion—a 20 percent cut in the year 2002 alone.

Worse, rural North Carolina will lose some of the limited number of hospitals we have.

Because of poverty, rural hospitals lose money on Medicare, while urban hospitals make a small profit.

The typical rural hospital, under the Republican's plan, will lose some \$5 million in Medicare funding, over 7 years.

Rural hospitals already need 5,084 more primary care physicians to have the same doctor to population ratio as the Nation as a whole.

This harsh Republican plan will mean tougher times for families and especially for senior citizens.

Mr. Speaker, the people really do want change.

But, they do not want change that takes us back 30 years, when more than one out of every two senior citizens had no health care at all.

They do not want change that forces our seniors to choose between heat and health, that is no real choice. They want change that takes America forward. They want change that is better, not cheaper. The people want a real revolution. The conferees should keep that in mind.

If not, the President should veto the bill.

THE BALANCED BUDGET DEBATE

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

Mr. SMITH of Michigan. Mr. Speaker, we hear a lot about numbers and figures and procedure and how things move through the House and the Senate and get ultimately signed into law or not signed into law; but I think it is important in this debate over a balanced budget that we not lose sight of our real objectives. The question before the American people, and the American people are going to have to answer this question: Do you want more taxes and a larger government or do you want a smaller government and less taxes?

It is hard for politicians to cut spending, whether those politicians are in the White House or in this Chamber or over in the Senate. Members of Congress and the White House have decided that if they do more things for people, if they spend more money on more programs, if they take some pork-barrel projects, the propensity to get re-elected is greater.

□ 1945

And so that is the tradition that this body has been operating under for the last 40-plus years. In the process of not increasing taxes, we have developed a huge debt for this country, not only the existing debt of \$4.9 trillion that is overwhelming, but we have done more than that. We have now made so many promises that the unfunded liability for Medicare, for example, is another \$5 trillion. The unfunded liability or actuarial debt for social security is another \$3.2 trillion. The promises we have made and not funded for civil service retirees is another half a trillion dollars.

Now recently we have promised every private pension fund that the Federal Government will stand behind that pension fund and make it solvent.

Our goal of what we have called the debt limit coalition, 160 members that have sent a letter to the President, we have also written the Speaker, NEWT GINGRICH; we have written BOB DOLE; we say we think balancing the budget by 2002 or sooner is so important that we are not going to vote to increase the debt ceiling. I mean, that is to give us, some of ourselves, the intestinal fortitude. It is to put pressure on the White House to come to this conclusion.

The Federal Government last year borrowed approximately 41 percent of all of the money loaned out in the United States. Can you imagine what would happen to interest rates if the extra demand of Federal Government borrowing was not there? Can you imagine what the additional funds in the economy for people that want to

buy a car or build a home or go to college or, more importantly, expand their business? Can you imagine what a great stimulus that would be?

Alan Greenspan, the chairman of the Federal Reserve, suggested that if we have got the wherewithal to end up balancing this budget, we have got such a strong underlying economy in the United States we would see jobs and the economy take off like has never happened before.

That is why this body has got to stick to its guns and insist in the reconciliation bill and in these appropriation bills that we end up on the glide path to a balanced budget.

Jim Glassman in today's Washington Post said that default just is not a great fear, many Wall Streeters say, and he quotes Mickey Levy who says the market recognizes any default would have nothing to do with economic soundness and everything to do with political game-playing. He says that the meeting that we have arranged tomorrow with Mr. Druckenmiller and Mr. Langone, who will be speaking at 10 a.m. to a joint meeting of the House and Senate, be available to the press at 11:00, be available at Heritage for a public forum at 12 o'clock and another press luncheon at 1 o'clock, are going to be saying that, look, what is important is the goal that we stick to our guns, that we ultimately have a balanced budget.

I would like everybody listening and my colleagues in the House and the Senate to attend that 10 a.m. meeting tomorrow morning. It is important for our future. We are concerned with the numbers. We are concerned with achieving what is good for America, our kids, and our grandkids, and it is not leaving them a debt and a mortgage. It is ending up with a balanced budget and a strong economy.

Mr. Speaker, I am including at this point in the RECORD at statement by Jim Glassman and also a scenario that I have written on the current debt ceiling.

The material referred to is as follows:

[From the Washington Post, Oct. 31, 1995]

WHAT TRAIN WRECK?

(By James K. Glassman)

When President Clinton sat down with advisers to plot a budget in 1993, they told him he had to convince the bond market he was serious about cutting the deficit. Then, perhaps, interest rates would fall, and the economy would prosper.

Bob Woodward relates the scene in his book "The Agenda":

"Clinton's face turned red with anger and disbelief. 'You mean to tell me that the success of the program and my reelection hinges on . . . a bunch of f-ing bond traders?' . . ."

"Nods from his end of the table. Not a dissent."

Having learned this lesson once; Clinton is applying it again. He seems to be hoping that the bond market, spooked by the prospect that a "train wreck" will cause the Treasury to default, will pressure Republicans into a budget compromise.

This time, however, the bond-market strategy is not working. Instead of panicking, Wall Street actually appears encouraged that Republicans are so serious about a bal-

anced budget that they'll risk being blamed for the financial dislocations a train wreck could cause.

Here's what's happening. Leaders of Congress are using a time-honored weapon—the debt ceiling—to force Clinton to accept the budget they passed last week. If Clinton does not relent, then Congress won't raise the limit on the amount of debt the Treasury can issue, now set at \$4.9 trillion.

The White House response has been to brand Republicans as extremists: In order to achieve their Medicare and tax cuts, these loonies would even force the United States to break promises to bondholders, both here and abroad. For example, without the ability to issue new bonds (and thus raise cash), the Treasury might have to postpone interest due on Nov. 15 on some outstanding bonds.

In the language of finance, this delay is called a default—and, in normal circumstances, it's a very big deal.

"You are talking about defaulting on the full faith and credit of the United States for the first time in the history of our country," said Treasury Secretary Robert Rubin a few weeks ago in a theme he's repeated almost daily.

Rubin's line fits into a broader White House strategy. "The idea," says Rep. Christopher Cox (R-Calif.), "is to make the Republicans look scary and them look safe."

But there may be more to it. The administration appears to be hoping that the prospect of a default will frighten Wall Street and drive down bond prices (which means driving up interest rates). Under this scenario, the Republicans, pushed by their financier pals, will capitulate and soften their budget demands.

But that hasn't happened. Instead of falling, bond prices have risen—as interest rates have dropped. The rate on the 30-year Treasury bond has fallen from 6.6 percent in late September, when Speaker Newt Gingrich made it clear that he would use the debt ceiling to accomplish his budget aims, to 6.3 percent—the lowest level since January 1994.

Default just isn't a great fear, many Wall Streeters say. The market recognizes that any default would have nothing to do with economic soundness and everything to do with political game-playing," Mickey Levy, the chief economist for NationsBank Capital markets, told me.

The market likes the GOP budget, and it likes the economy's current fundamentals—reasonable growth, low inflation. So rates are dropping. "I've talked to traders," said Levy. "They say, 'Oh God, if rates go back up at all [because of default fears], it just gives us an opportunity to buy.'"

Stanley Druckenmiller, who runs the day-to-day operations of George Soros's massive hedge funds, emphasized that. "The market deals in reality and not technicalities." Even if the Treasury technically delays some interest payments, the reality is that the "sovereign risk" involved in buying U.S. bonds will not increase. On the contrary.

Druckenmiller became concerned last month at a dinner with Sen. Pete Domenici (R-N.M.) that many members of Congress were under the impression that Wall Street feared a default. Since then, he and Kenneth Langone, who chairs Invemed Inc., a New York investment bank, and founded the Home Depot have been trying to set the record straight.

On Sept. 26, they bought an ad in The Washington Post that said: "Let's not allow fears of temporary 'market instability' to serve as an excuse for equivocating on spending cuts and entitlement reform . . . If the so-called train wreck occurs, the markets will focus, on the eventual outcome. If the markets believe the chaos will finally lead to decisive action, they will rise."

The Congressional Budget Office, in an August report, took the opposite position.

"Even a temporary default—that is, a few days delay in the government's ability to meet its obligations—could have serious repercussions in the financial markets," including "a permanent increase in federal borrowing costs."

Even conservative consultant Jude Wanniski warned that Republicans risked "political disaster" by not raising the debt ceiling and that "financial markets . . . would take a severe beating" as default loomed.

But Druckenmiller, who regularly bets billions on the direction of interest rates, scoffs at this notion. He points out that the costs of a train wreck are minor compared with the benefits of a balanced budget. For one thing, the Treasury won't have to keep borrowing. By the simple mechanics of supply and demand, bonds will become scarcer and more valuable. Rates will fall.

At the invitation of Rep. Nick Smith (R-Mich.), Druckenmiller and Langone will be speaking tomorrow to a joint meeting of the House Republican Policy Committee and the Senate Steering Committee—along with Edward Hyman of ISI, who may be the smartest economist on Wall Street, and James Capra of Capra Asset Management, a talented bond trader who formerly worked for the New York Fed.

The message they'll send is expected to be this: Don't waver on your budget goals, and don't worry about the bond market. Adopt sound policies, and interest rates will fall. So far, anyway, that's exactly what they've done.

PANELISTS

Mr. Edward S. Hyman is Chairman of ISI Groups, Inc. For each of the past 16 years, Mr. Hyman has been rated the #1 economist on Wall Street by the Institutional Investor poll of investors. In addition, he oversees the management of almost \$1 billion in bond funds. Mr. Hyman is a regular guest on "Wall Street Week with Louis Rukeyser" and is widely quoted in the domestic and foreign press. ISI's broker dealer clients are institutional investors in the United States and abroad.

Mr. Stanley F. Druckenmiller is Managing Director of Soros Fund Management, a private New York-based investment management firm that serves as principal investment advisor to the Quantum Group of Funds. The Quantum Fund N.V., the oldest and largest fund within the Quantum Group, is generally recognized as having the best performance record of any investment fund in the world in its 26-year history. Mr. Druckenmiller also is chairman and founder of Duquesne Capital Management, an investment advisory firm in Pittsburgh, PA. Overseeing a combined \$12 billion in assets at both Soros Fund Management and Duquesne, he serves as chief investment strategist and lead portfolio manager. As such, he is directly responsible for the funds' global currency, fixed income, and stock market position.

Mr. James R. Capra is the sole shareholder of Capra Asset Management, directing the firm's trading activities. Between January 1991 and January 1995, Mr. Capra was a principal at Moore Capital Management where he directed trading strategies in government securities. Until 1991, Mr. Capra served as Senior Vice President and proprietary trader on the government securities desk at Lehman Brothers. In addition to being one of Lehman Brothers' most profitable traders, Mr. Capra also served as chief strategist for the fixed income group. Between 1980 and 1983, he was an officer at the Federal Reserve

Bank of New York, where he served as Director of Domestic Economic Research. Between 1974 and 1980, Mr. Capra was the Chief of Budget Projections at the Congressional Budget Office where he coordinated the preparation of budget estimates for annual congressional budget resolutions. His budget projections unit was in charge of CBO calculations of interest on the public debt and the status of the debt relative to the debt limit.

Mr. Kenneth G. Langone is Chairman and Managing Director of Invened Associates, Inc., a New York investment bank. Mr. Langone is the founder of The Home Depot, Inc., of Atlanta, and he currently serves on the Home Depot Board and Executive Committee. He is Chairman and Chief Executive Officer of Salem National Lease Corp., of Winston-Salem, NC. Mr. Langone also serves on the boards of Unifi, Inc., of Greensboro, NC; St. Jude Medical, Inc. of St. Paul, MN; Baby Superstore, Inc. of Greenville, SC; and GMIS, Inc. of Malvern, PA.

DEBT CEILING UPDATE

(By Congressman Nick Smith)

The debt ceiling is now close to becoming binding on the Department of Treasury. The latest indication from Treasury is that they will be able to get by the Social Security payments due the first week in November. However, Treasury is arguing that they will not be able to proceed with the regularly scheduled auctions for the week of November 6 without an increase in the debt ceiling. These actions raise cash which allows for settlement of the interest payments due November 15. It is the November 15 interest payment of approximately \$25 billion that Treasury will have difficulty making without a debt ceiling increase.

Our best estimates from the private sector indicate that without disinvestment of trust funds or other extraordinary measures Treasury will face a \$15 billion to \$30 billion problem on November 15. Thus, it is possible that failure to increase the debt ceiling will force extraordinary measures on the Department.

OPTIONS

There are at least three options that we have come across in our discussions with Wall Street analysts. As might be expected, each option has its negatives and its positives. While not advocating any particular option at this time, we thought it would be useful to share what our research has yielded.

1. Temporary Increase in Debt Limit: The first option is to provide for a short term increase in the debt ceiling. This might be justified if Treasury can demonstrate to the Congress that it will be faced with extraordinary measures prior to Congress' passage of the reconciliation bill. In providing for a temporary increase we must be careful not to lose leverage for passage of reconciliation. Some investment analysts have indicated that if Treasury can get by the November 15 layout, it is possible for them to get to the end of February without another increase in the debt ceiling. This would require getting by a low point in the cash balance in early December, but January is a positive cash flow month, and some delay of income tax refunds might provide the opportunity to extend their cash position for several weeks.

Thus, some analysts have suggested a temporary increase in the debt limit which would return to the \$4.9 trillion at a date certain. They note that as Treasury settlements of at least \$25 billion occur each Thursday, it is important which day of the week is chosen for the end of the debt limit extension. They recommended a Friday, as this gives time to reach agreement on a reconciliation bill.

2. Specified Authority to Disinvest Civil Service Retirement Fund: An alternative would be to provide specific statutory authority to allow for a limited disinvestment of the Civil Service Retirement and Disability Trust Fund. This fund has more than \$330 billion available. Under 5 U.S.C. §8348, the Secretary of the Treasury may suspend investment and redeem the assets of the fund "before maturity in order to prevent the public debt of the United States from exceeding the debt limit." When the debt ceiling is finally increased, it can be increased sufficiently to restore the Trust Fund with interest. This has been the procedure in the past.

Doing this would allow the debt ceiling to remain at \$4.9 trillion. The disadvantage is that there might be a conflict with those who felt that this would set a precedent allowing Treasury to tap into trust funds for amounts which make the debt ceiling irrelevant. However, our preliminary research indicates that Treasury can already tap into this fund. We could limit the amount by which disinvestment may occur and accomplish the purpose of retaining leverage for the reconciliation. We will be investigating this option further.

3. Allowing Treasury to Securitize Assets, such as the Federal Financing Bank, and Allow Civil Service Retirement Fund to Invest in the Assets:

Treasury holds assets, such as the Federal Financing Bank. These assets are capable of being securitized. If the Civil Service Retirement Funds were allowed to replace, say \$30 billion of its Treasury debt with these assets, then the Treasury could go into the markets and raise cash. We are just beginning to explore this option.

LOSS OF LEVERAGE

It is important to examine whether Treasury can manage the cash after November 15 with no need for an increase in the debt limit for several weeks. If this were the case, then a veto of the reconciliation bill could serve the President until several months into the current fiscal year and jeopardize the seven year balanced budget. There are two December problems. One is an early December interest payment which would require cash. The second is a late December coupon settlement with Social Security, that under normal conditions, would increase the debt by required issuance of Government Account Securities. We are currently trying to obtain reliable cash flow estimates for December and January. Of course, requiring the debt limit to return to \$4.9 trillion on a day certain under the first option, and similarly limiting the length of time under the second and third options would protect against this scenario.

BREAST CANCER AWARENESS MONTH

The SPEAKER pro tempore [Mr. FOX of Pennsylvania]. Under a previous order of the House, the gentleman from Minnesota [Mr. MINGE] is recognized for 5 minutes.

Mr. MINGE. Mr. Speaker, October is breast cancer awareness month. I wish to briefly address this Chamber on that important subject, since it has taken on an imminency for myself and my family in recent months.

Seven and one-half months ago my wife learned that she had breast cancer. This has had a dramatic effect on us. Yet it is altogether too common, and I wish to emphasize some important points.

First, hope. I think that altogether too many Americans feel that cancer is

a sentence. Indeed, that is not the case, especially with breast cancer. If early detection occurs, the long-term survival rate is high. In fact, it is dramatically high, and it indicates that, indeed, treatment is available.

Treatment is within the reach of all Americans. The important thing is to actually learn whether or not you have a malignancy. This brings me to the second point I would like to emphasize, and that is that one must face the situation realistically. Women and, yes, even men must be aware that they can contract breast cancer and that they should have mammograms. Women should have mammograms, and they should otherwise check to determine whether or not there are lumps or thickenings that indicate the possibility of a malignancy and have checkups. See a physician. Certainly that is something that is widely publicized in this country but, on the other hand, is altogether too easy to ignore the advice. If the advice is taken and early detection occurs, then hope is a realistic opportunity.

The third point I wish to emphasize is care in our life-styles. Certainly there are indicators of the risk of breast cancer, a history in the family, other considerations. But still a significant majority of the breast cancer cases cannot be predicted based on these indicators, the family history and other considerations. It appears that it is important for us all to lead responsible lives and to avoid habits which increase our risk of cancer and other health problems.

At this point I think that it is safe to say the Federal Government has become a very active participant in assisting women in determining whether or not they have a malignancy and encouraging mammograms and providing assistance for mammograms and establishing standards for mammography. The Federal Government has been very active in helping give hope, that is, developing treatment programs, sponsoring research on what treatment is effective, and I know that we will continue to be very active and aggressive at the Federal level in the research and encouraging treatment.

But that does not mean that the Federal Government can do everything. We certainly have learned over the last several years that that is not a realistic expectation, and I do not think any American has that expectation. We must assume personal responsibility, person responsibility for healthy life-styles, personal responsibility for regular checkups, and personal responsibility for following through on recommended treatment regimens.

In closing, I wish to reemphasize the point that problems do not go away if they are simply ignored, but instead we must be vigilant, and whether it is budget discussions such as have occurred here on the floor earlier this evening and I am sure will continue, or