I believe Congress has an obligation to send this question to the States, so that we can engage in a much needed and lively debate on the broader question—what is the role of the Federal Government and at what cost?

Our experiences with State budget balancing requirements have provided several positive outcomes from this important fiscal discipline. It imposes discipline on legislators and executive branch. It, therefore, requires a closer working relationship between these two branches of Government. And, the requirement ultimately will force all parties to sit down and work out their differences to maintain the required balance.

Having worked under the balanced budget requirement, I believe it will promote better communication and governance—at least that's been my experience as a State legislator in New Jersey. It has been 25 years since the last time the Federal Government's books were balanced. Of every dollar collected in Federal taxes, 15 cents goes to pay interest on the national debt—more than $200 billion a year, further drawing down the amount available for other Government programs.

Clearly, our current situation is not due to under-taxation, but to over-spending. The Federal Government collects $5 in taxes today for every $1 it collected 25 years ago. The problem is that Government spending today is up $6 for every $1 spent in 1968.

Some may claim that the balanced budget amendment is a gimmick. Rather, I believe it will finally provide the discipline to the Federal budget process that has failed, to date, to control Federal spending—even with the best efforts of individual Members committed to deficit reduction and despite the demands of the American taxpayers.

Mr. EMERSON. Mr. Chairman, the Constitution is fundamental law; indeed, it should deal only with fundamental questions. I agree with Thomas Jefferson: ''The question whether one generation has the right to bind another by the deficit it imposes is a question of such consequence as to place it among the fundamental principles of government. We should consider ourselves unauthorized to saddle posterity with our debts, and morally bound to pay them ourselves.'' I urge you to keep these important words in mind as we debate the crucial issue of balancing our budget.

In my 14 years in Congress, my record has demonstrated my strong commitment to the senior citizens of this country. For this reason, I resent the attempt by some in this Chamber to scare senior citizens with misinformation about how the balanced budget amendment might affect Social Security. There is nothing in the balanced budget amendment that says that the Social Security trust fund will be cut or that Social Security benefits will be reduced for anyone.

The fact is that Congress can balance the budget without touching Social Security. The budget can be balanced in the year 2002 by simply restraining the growth of all other Federal spending to 3 percent per year, instead of allowing it to increase by 5.4 percent annually under current policies. A balanced budget amendment is the first step toward guaranteeing the financial security of our retirees. Because the Government must continue borrowing from the Social Security trust fund to finance the current debt, we are on a course of destruction toward the painful task of cutting benefits or raising payroll taxes. By enacting a balanced budget amendment, we halt this troublesome path by imposing the budgetary discipline necessary to safeguard our future generations.

I would also like to take this opportunity to make very clear my support of the three-fifths proposal contained in the Barton amendment. Raising taxes should be a matter of last resort. The process of raising taxes should not be simple or easy. We need a mechanism to force spending reduction before new taxes are levied, just as we need a mechanism to force a prioritization of spending issues to achieve a balanced budget.

The majority party is committed to following through on its promises. The balanced budget amendment is supported by 85 percent of the American people. If hard-working taxpaying families have to live within their means from paycheck to paycheck, then there is no excuse that it has been 25 years since the Federal budget has enjoyed a surplus. The balanced budget amendment is a common sense mechanism that will enforce the necessary budgetary discipline in Congress and I urge support for the Barton amendment.

The CHAIRMAN. All time for general debate has expired.

Mr. HYDE. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. GEKAS) having assumed the chair, Mr. WALKER, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the joint resolution (H.J. Res. 1) proposing a balanced budget amendment to the Constitution of the United States, had come to no resolution thereon.

COMMUNICATION FROM THE HONORABLE DAN BURTON, MEMBER OF CONGRESS

The SPEAKER pro tempore laid before the House the following communication from the Honorable DAN BURTON, Member of Congress.

HOUSE OF REPRESENTATIVES,
Washington, DC, December 22, 1994.

SPEAKER,
U.S. House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: This is to formally notify you pursuant to Rule L (50) of the Rules of the House that my office has been served with a subpoena issued by the State of Indiana, Madison Superior Court for the County of Madison, in connection with a civil case involving constituent casework.

After consultation with General Counsel, I have determined that compliance with the subpoena is consistent with the privilege and precedents of the House.

Sincerely,

DAN BURTON,
Member of Congress.

GENERAL LEAVE

Mrs. CHENOWETH. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on House Resolution 44.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Idaho?

There was no objection.

PREDICTIONS OF DISASTER

(Ms. KAPTUR asked and was given permission to address the House for 1 minute and to revise and extend her remarks and include extraneous matter.)

Ms. KAPTUR. Mr. Speaker, the administration claims it knew nothing of the pending financial disaster in Mexico. Mexico's administration claims it knew nothing.

Let me remind both administrations of what they certainly did know. Both the Mexican and the United States Governments knew the truth about the shaky peso and United States speculators' interests down south for at least 2 years before the meltdown. As reported by the Wall Street Journal during the NAFTA debate, the two governments went so far as to negotiate a secret line of credit worth $6 billion because of the pending financial crisis in Mexico. Both governments knew; both governments kept it quiet.

Now Congress is expected to remain muzzled with truncated committee hearings and limited debate.

Congress cannot remain silent. Let the truth come out before we vote no on this taxpayer bailout of Wall Street speculators in foreign countries.

Mr. Speaker, the Wall Street Journal article to which I referred is as follows:

[From the Wall Street Journal Mar. 28, 1994]

HOW MEXICO'S BEHIND-THE-SCENES TACTICS AND A SECRET PACT AVERTED MARKET PANIC

(By Craig Torres)

MEXICO CITY.—The muted reaction in Mexican stock and currency markets Friday after the assassination of presidential candidate Luis Donaldo Colosio was no accident—but it also wasn't guaranteed.

A panic developed among investors right after the slaying and could have sent the markets tumbling. But Mexican authorities managed to maintain calm through a once-secret agreement with the U.S. Treasury and a complex mix of moral suasion and vague threats to investors who might have profited from a panic.

This is the story of that effort.

At 9:30 p.m. in Mexico City last Wednesday—2½ hours after the assassination, Jose Angel Gurria, head of the powerful development bank Nacional Financiera, and several of Mexico's most senior financial officials were assembling at 2 Arturo Street, a colonial mansion converted into Finance Ministry offices.

Mr. Gurria and everyone else in the room knew Mr. Colosio was dead, even though the government hadn't yet acknowledged that to the world, knowing the panic that could be created when the news was let out, Mr. Gurria reflected that either Mexico was about to prove the strength of its financial team, or the markets would send Mexico into chaos.

''It was like Colosio's body was lying on the table'' in front of the group, he says. ''We knew we had a job to do.''

Mexican financial markets were already fragile. Economic growth in 1993 registered a pathetic 0.4%. The Chiapas peasant revolt, the kidnapping of a well-known executive and surprising rifts within the ruling party had all raised questions about social stability. Stocks had tumbled in recent weeks, and the peso was down 8.1% against the dollar this year.

As calls poured into the Finance Ministry and Banco de Mexico, the central bank, it became clear that there could be a full-fledged run against the peso.

Speculators were looking for ways to sell the peso short, a bet on its decline. Mexican banks, while friendlier to the government than foreign investors, would clearly dump pesos to protect themselves and make a profit, if they had to. In addition, the Finance Ministry knew that Japanese banks and corporations had already been unloading huge positions in peso securities to raise cash and dress up year-end financial statements. A currency crisis could spark further huge sales by the Japanese.

However, Hacienda, as the Finance Ministry is know, had a secret weapon.

Just before the North American Free Trade Agreement debate between Ross Perot and Vice President Al Gore, Hacienda's undersecretary of finance, Guillermo Ortiz, had quietly negotiated a $6 billion swap line with the U.S. Treasury. The idea was to give the Mexican central bank more dollars to use to support the value of the peso if Nafta failed to win approval. But the agreement—which had remained secret because it was never formally signed—was still around, and Mr. Ortiz hoped to invoke it now—Announcing the agreement would give Mexican authorities a crucial psychological boost with investors by showing that anyone attacking the peso would have to take on both Mexico and the U.S.

But it might take a day to get all the approvals from the U.S. government. Could the Mexican markets be shut down? Mr. Ortiz wondered.

By 11 p.m., with international investors nervous, and European markets about to open, Mexican financial officials were in discussions about shutting trading in stocks and the currency for a day, to let things settle down. But a full-scale argument broke out about the kind of signal the closings would show. The meeting split up into working groups and took until 2 a.m. to decide that at least the currency markets and the banks should be closed. Pedro Aspe, the finance minister, and Miguel Mancera, the central bank head, then left for President Carlos Salinas's offices.

With at least some decisions made, officials called Roberto Hernandez, the chief executive of Banamex-Accival, Mexico's largest bank, informing him of the bank and currency-market closure. The Hacienda officials said the banks would certainly be free to trade Friday—but they also warned that Hacienda would be watching closely for any speculative challenge.

At 3:30 a.m. in Boston, Robert Citrone, manager of Fidelity Investment Management's New Markets Income Fund, was back in the firm's warren-like offices. A few hours earlier he had stepped off the train in Acton, Mass., greeting his wife and newborn son.

''I have bad news,'' his wife had said.

The garage flooded with snow-melt again, Mr. Citrone thought. Then his wife told him Mr. Colosio had been shot.

At home through the evening, Mr. Citrone phoned central-bank contacts or anyone else who could give him a reading on the situation. A Mexican central-bank official at one point convinced him that it had enough currency reserves to defend the peso. That was true, but what if other investors panicked? Brokers were already talking about a 300-point decline in Mexican stocks, and that would also mean the currency would be in trouble.

At 4 a.m., Finance Minister Aspe returned to Arture Street with an answer from President Salinas: Thursday would be a day of mourning for Mr. Golosio. Banks and currency markets would close.

Now it was time to bring out the secret weapon, the $6 billion swap agreement. Mr. Ortiz, the undersecretary of finance, picked up the phone and dialed the home in Washington of Lawrence Summers, the undersecretary of international affairs for the Treasury. Mr. Summers thought he could secure the swap line.

The hope was to close the Mexican stock exchange, too, but Bolsa authorities wanted to make sure that there wouldn't be any trading of Mexican shares in New York, either. Mr. Summers said he would see if that could be done.

Later, Mr. Ortiz learned that Treasury had asked for a closure of Mexican stocks, but the U.S. Securities and Exchange Commission and the New York Stock Exchange were resisting the idea. It looked like the U.S. markets would open Mexican shares after only a short delay.

But trading of Mexican stocks in London was turning out to be disorderly, a sign of panic. Shares in bellwether Telafonos de Mexico were down more than 5 percent.

The Arturo Street team turned to Carlos Mendoza, a young Stanford Business School graduate who runs National Financiera's $1.5 billion Mexican stock fund. Mr. Mendoza had won the respect of international traders late last year when he managed to sell $1 billion of Telmex shares into the markets without anyone's noticing. Sleepless and worried, Mr. Mendoza called Mexican brokers in London, encouraging them to keep markets orderly. To keep things under control, while still not committing much of National Financiera's money, he gave the London trades an indication where he might buy or sell Telmex shares. That hint tightened the spread, or difference between the buying and selling price.

Less than an hour before the New York opening, Telmex shares had recovered.

With the Arturo Street meetings finally over as the sun was coming up in Mexico City, the finance officials began trying to win back investor confidence by calling everyone they could think of around the world from traders to chief executives. Judging by the calls, international investors were still scared. But the Mexicans began winning them back, one at a time.

''The performance was magnificent,'' says a Trust Co. of the West portfolio manager. ''Almost every investment bank and every investor in the U.S. was on the phones from 8 to 9 in the morning and had it all laid out for them by the Mexicans.''

By Thursday afternoon, the tide had turned. Stories burst across the news wires announcing the ''new'' $6 billion swap agreement, approved by President Clinton. Also, in a rare example of quick agreement, President Salines had managed to gather government, business and labor leaders to announce a re-signing of the country's basic economic pact.

Telmex shares finished just 5.6% lower on the Big Board, and they rebounded Friday once the Mexican Bolsa reopened. Investor confidence had been restored.

''The whole world was grading our ability to manage the unexpected,'' Mr. Curria says. ''Everybody at the Arturo Street meetings said, We have to make this work because we have to make Mexico work.''

CONGRESS NEEDS TO CAREFULLY CONSIDER CONSEQUENCES TO NATIONAL SECURITY ON ENACTMENT OF BALANCED BUDGET AMENDMENT

(Mr. DICKS asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. DICKS. Mr. Speaker, a few days ago the comptroller of the Department of Defense testified before the Committee on the Budget about the consequences of a balanced budget amendment on our country's national security. Let me tell the Members what he said.

He said:

This is one of the major reasons for the administration's opposition to the Balanced Budget Amendment. Unless legislatively exempted from reductions, defense spending could end up being the primary bill-payer to make Federal budgets balance. That would fundamentally undermine the security of our Nation. If the Balanced Budget Amendment were adopted, America's defense posture would be vulnerable to two different problems: the impact on defense to reach a zero deficit, and the effect on defense of the annual budget process under the budget amendment.

Depending on the final provisions of the Balanced Budget Amendment, Department of Defense budget cuts from FY 1996 to FY 2002 could range from $110 billion to $520 billion, or about 30 cents on the dollar. For national defense the best case scenario would have a serious effect on national security. The worst case would be a disaster.

I hope we will take a careful look to the consequences of our national security of a balanced budget amendment.

Mr. Speaker, I include for the RECORD the complete statement of Under Secretary of Defense John Hamre before the Committee on the Judiciary:

STATEMENT OF UNDER SECRETARY OF DEFENSE (COMPTROLLER) JOHN J. HAMRE

Mr. Chairman, members of the Committee, thank you for the opportunity to appear before you today to discuss the Balanced Budget Amendment, and the likely impact that it would have on America's defense posture.

The Balanced Budget Amendment (BBA) could severely jeopardize America's national security, and that is one of the major reasons for the Administration's opposition to it. Unless legislatively exempted from reductions, defense spending could end up being the primary billpayer to make federal budgets balance, and that would fundamentally undermine the security of our nation.

If the Balanced Budget Amendment were adopted, America's defense posture would be vulnerable to two different problems: the impact on defense to reach a zero deficit and the effect on defense of the annual budget process under the BBA.

IMPACT ON DEFENSE TO GET TO A ZERO DEFICIT

To illustrate the impact of getting to a zero deficit, several assumptions have to be made about the final date and provisions of the BBA. Let us assume that the year of BBA implementation is 2002, and make calculations based on the most recent deficit projections by the Congressional Budget Office. Balancing the budget on a phased basis—14 percent per year in 1996 through 2002—would require a total of $1,040 billion in spending cuts and/or revenue increases.