

take on anything else you can assign to him.

Sam is also our resident historian, defender of Thomas Jefferson, source of quotes that elucidate the wisdom of Winston Churchill and repository or precedents established in the Senate, the House of Representatives and the English Parliament. He is a partisan of good clear prose, a lover of poetry and our committee's best legislative draftsman. I cannot imagine the Energy and Natural Resources Committee without him. I am glad to call him my chief counsel. •

COMMEMORATION OF THE 100TH ANNIVERSARY OF THE FOUNDING OF MACKINAC STATE PARK

Mr. LEVIN. Mr. President, I rise today to commemorate the 100th anniversary of the founding of Mackinac Island State Park. From the island's beginnings as a fort fought over by the French, British, and Americans, to the peaceful calm of a historical vacation spot enjoyed by many, Mackinac Island State Park and the waters surrounding it are a rich and important part of our Nation's frontier and exploratory history.

Mackinac Island State Park became Michigan's first State park in 1895 after its transfer to the State from the Federal Government, ending its 20-year tenure as the Nation's second national park. The Mackinac Island State Park Commission was founded in 1895 to supervise the Mackinac Island State Park, including the 14 historic buildings comprising Fort Mackinac, which were built by the British Army in the late 18th century.

In 1904, the commission took on the administration of the site of Colonial Michilimackinac, established by the French in 1715 in Mackinac City and later dismantled and moved to Mackinac Island by the British. The area had been a fur-trade community, full of life and color. In 1975, the water-powered sawmill and 625-acre nature park known as Mill Creek were added to the land overseen by the commission. Mill Creek is located southeast of Mackinac City on the shore of Lake Huron. Over the years, the acquisition of land by the commission has led to a beautiful State park consisting of 1,800 acres and enjoyed by more than 800,000 visitors each year.

Mackinac Island State Park is dear to the hearts of many Michigan residents and visitors alike. The smell of Mackinac Island fudge brings childhood memories back to many a visitor while the clip-clop of horse hooves and the ring of bicycle bells on the automobile-free island recalls a by-gone time.

Mackinac Island State Park is a vital part of Michigan's history. It is home to the State's oldest known building still standing and the longest porch in the world, located at the opulent Grand Hotel. I know many people in Michigan and around the world will join me in

celebrating the jewel of the Great Lakes in the commemoration of its 100 spectacular years.

LOWER MILITARY SPENDING YIELDS HIGHER GROWTH

• Mr. SIMON. Mr. President, I refer to my colleagues an article from the July 15 issue of *The Economist*. The article discusses the economic impact of reduced military spending in light of worldwide declines in defense budgets over the last decade. While the impact of such a peace dividend is difficult to calculate, the article brings up an interesting point:

In the long run, most economists think that lower defense spending should stimulate growth. One reason for this is that cash can be switched from defense to more productive areas such as education. A second is that smaller military budgets should lead to lower overall government spending, hence lower borrowing than would otherwise have been the case. As a result, interest rates should be lower, stimulating private investment.

The article also refers to a recent IMF study which finds a clear relationship between lower military spending and increased economic growth. It concludes that a 2-percent per capita rise in GDP will result from the decreased spending worldwide in the late 1980's. Its authors also estimate that if global military spending is reduced to 2 percent of GDP—the United States currently spends 3.9 percent—the dividend will eventually lead to a rise in GDP per head of 20 percent.

I bring this to light as we consider increasing military spending by \$7 billion, while making deep cuts in education, job training, health, and programs for the poor. Already, our Nation spends more on the military than the next eight largest militaries combined. It is a mistake to turn back against global trends to a course which, in the long run, will lead to lower growth and hurt our international competitiveness.

This Congress skewed priorities of spending more on the military and less on social investment will nullify the dividend we hope to reap through balancing the budget and lowering interest rates. Simply put, investment in a B-2 bomber creates a plane that sits there incurring operating costs, but investment in a child's education creates opportunity, productivity, and long-lasting benefits to society.

I ask that the article be printed in the RECORD.

The article follows:

[From the *Economist*, July 15, 1995]

FEWER BANGS, MORE BUCKS—SINCE THE END OF THE COLD WAR, MILITARY SPENDING HAS DECLINED IN MOST COUNTRIES, YET THE PROMISED "PEACE DIVIDEND" IS PROVING ELUSIVE

Francis Fukuyama, an American political analyst, claimed in 1989 that the collapse of communism heralded the end of history. Few believed him, but many looked forward to the end of at least one aspect of the cold war: high defence spending. No longer would

countries waste precious resources building tanks and bombs. Instead, they could use the cash for more rewarding activities: higher social spending, more capital investment or increased aid to the world's poor. Was this optimism warranted?

That overall defence spending has fallen is uncontested. According to the United Nations' latest World Economic and Social Survey, world military expenditure decreased at an average rate of 7.2% a year between 1988 and 1993. The biggest declines came in former Warsaw Pact countries, where defence spending fell by an average of over 22% a year. In America, it fell by 4.4% a year (though the Republican Congress is planning to stem this decline). The cuts are not as steep as some had hoped; but the share of CDP devoted to military spending has fallen everywhere (see chart).

Assessing the economic impact is harder. One crude notion is to calculate what countries would have spent on defence without the cuts. A previous UN report in 1994 suggested that had governments maintained their defence budgets in real terms from 1988 to 1994, global defence spending would have been \$933 billion higher than it was. That suggests a peace dividend of almost \$1 trillion. But such a calculation is flawed: 1987 was a year of high defence spending; had another base year been chosen, the dividend would probably be lower. More important, the sums fail to take into account the broader economic impact of reduced defence spending.

As with any big reduction in public spending, defence cuts tend to reduce economic activity in the short term. That may cause unemployment to rise, particularly in regions where defence-related industries are heavily concentrated. Between 1988 and 1992, for instance, the increase in the unemployment rates of the four American states that are most dependent on defence spending—Connecticut, Virginia, Massachusetts and California—was some two-and-a-half times greater than that in the rest of the country. Such regional effects often make defence cuts politically awkward.

In the long run, however, most economists think that lower defence spending should stimulate growth. One reason for this is that cash can be switched from defence to more productive areas such as education. A second is that smaller military budgets should lead to lower overall government spending, and hence lower borrowing, than would otherwise have been the case. As a result, interest rates should be lower, stimulating private investment. Some economists also argue that lower defence spending will result in fewer distortions in an economy. They point in particular to anti-competitive mechanisms that often feature in military contracts or the trade preferences given to military imports.

But big defence budgets can also have positive side-effects. In countries such as South Korea and Israel, spin-offs from military research and development have helped to foster expertise in civilian high-technology industries. In poor countries with low levels of education and skills, military training might be a good way to improve the educational standard of the workforce. During the cold war some poor countries also relied on the rival superpowers not just for military assistance, but also for other aid. If their erstwhile benefactors cut this aid along with military support, it might leave them with fewer resources overall.

Until recently, there has been little conclusive evidence about the long-run economic impact of lower defence spending. This is partly due to the difficulty of getting

comparable data, and to the problem of separating short-term from long-term consequences. But in a recent working paper¹ Malcolm Knight, an economist at the IMF, and two colleagues, use a long-run growth model and sophisticated econometric techniques to measure the effect of military spending on growth in 79 countries between 1971 and 1985. They find a clear correlation between lower outlays and higher growth.

The authors then simulate what the long-run effects of the decline in military spending of the late 1980s are likely to be. Unsurprisingly, they are positive. Industrial countries, for instance, can expect a long-run absolute increase in GDP per head of 2% from the spending cuts that occurred up to 1990.

DELAYED PAYMENT

Mr. Knight and his fellow authors then try to estimate what the long-run effects of further cuts in world defence spending might be. They assume that global defence spending is reduced to under 2% of GDP (the current level in Latin America, the region with the world's lowest defence spending). If industrialised countries achieve such a target, the authors expect an eventual increase in their GDP per head of 20%. In other regions, such as Eastern Europe, the effects will be even greater. However, it will take a long time for these benefits to work through. Even after 50 years, for instance, the improvement in the level of GDP per head in rich countries would have reached only 13.2%.

Unfortunately, the model does not explain whether this increase would be attributable to more productive public investment, or to lower interest rates. In practice, the cuts in military spending since the 1980s appear to have been used to keep overall public spending under control. This means that the clearest long-term economic benefit from the end of the cold war is likely to come from lower interest rates—unless, of course, public spending rises for other reasons.

For those defence employees faced with the sack, it may be scant comfort to hear about the long-term gains to the economy that accompany fewer military bases. But, providing that governments keep public spending in check, the world will indeed benefit from a substantial peace dividend—even though it will not produce the immediate pay-off that optimists were hoping for. ●

ORDER OF BUSINESS

THE SITUATION IN BOSNIA

Mr. LIEBERMAN. Mr. President, last week the Senate sent a clear message to President Clinton and to our allies that the illegal and immoral arms embargo on the Bosnian Government should be lifted so that the Government and people of the Republic of Bosnia and Herzegovina can exercise their right to defend themselves and their homes. While we wait for the lifting to occur, the people of Bosnia remain under siege—with suffering, death and destruction an intrinsic part of everyday life.

I am particularly concerned by the tragic developments in the Bihac region of Bosnia. While NATO threatens tough action in response to attacks on

Gorazde—a threat I hope NATO will actually act on—the attacks on the Bihac safe area continue. These are coordinated attacks by the Bosnian Serbs, the Krajina Serbs from Croatia, and even renegade Moslems who have sided with the Serbs. These are concerted attacks which, like so much of the fighting in Bosnia, include direct targeting of heavy weapons against the civilian population. These are inhumane attacks accompanied by efforts to deny food and water to the Bosnians in Bihac who are surrounded by Serbs.

The fall of Bihac—another U.N. safe haven—would result in more human tragedy, more ethnic cleansing, more refugees forced from their homes. But the consequences of the fall of Bihac would go well beyond the immediate tragedy for the Bosnians in the region.

The fall of Bihac would fundamentally change the strategic balance in Bosnia and Croatia to favor victory for the Serbs and the establishment of a greater Serbia. The establishment of a greater Serbia with no place for Bosnians and Croats of other races and other religions clearly remains the objective of the Serbs in Belgrade, Pale and Knin alike. For the fall of Bihac would free up Bosnian Serb and Krajina Serb troops to continue their campaign of terror elsewhere in Bosnia and Croatia.

The Croatian Government, recognizing these strategic as well as humanitarian implications, has agreed with the Bosnian Government to come to the aid of Bihac. This may lead to a wider war with renewed fighting in Croatia.

But the fall of Bihac will become imminent, and this safe area dependent on Croatian intervention, if the United Nations forces and NATO fail to protect the Bosnian people of the Bihac region. The United Nations Security Council has declared Bihac a safe haven, but UNPROFOR has failed to keep it safe. NATO has declared Bihac a heavy weapons exclusion zone, but NATO has not carried out airstrikes to enforce that exclusion zone. The dual key arrangement under which the United Nations has denied NATO the authority to eliminate the missile threat to NATO aircraft has increased the likelihood that Bihac will not be protected. The United Nations Security Council has declared Bosnia a no-fly zone, but NATO aircraft have not been able to prevent Krajina Serb jets from bombing Bihac, because United Nations and NATO rules don't allow NATO to pursue these planes into Croatian airspace or to hit them on the ground. We need to eliminate these rules and the dual key arrangements which stand in the way of effective action.

Mr. President, the United Nations and NATO failed to protect Srebrenica. The United Nations and NATO failed to protect Zepa.

The United Nations and NATO must not fail again in Gorazde. They must not fail in Bihac, Tuzla, Sarajevo or other areas where Bosnian civilians

come under attack. The international community must not fail the people of Bosnia.

Mr. President, last week an important voice spoke out against the international failure to halt atrocities in Bosnia. Former Polish Prime Minister Mazowiecki resigned his position as the United Nations human rights investigator for the former Yugoslavia to protest the United Nation's inaction to address the human rights violations he reported and the United Nation's failure to protect the United Nations-declared safe havens of Srebrenica and Zepa.

Allow me to read a few passages from Mazowiecki's letter of resignation, since his words are surely more eloquent than mine:

One cannot speak about the protection of human rights with credibility when one is confronted with the lack of consistency and courage displayed by the international community and its leaders.

Human rights violations continue blatantly. There are constant blockages of the delivery of humanitarian aid. The civilian population is shelled remorselessly and the blue helmets and representatives of humanitarian organizations are dying.

Crimes have been committed with swiftness and brutality and by contrast the response of the international community has been slow and ineffectual.

Mr. President, these are not the words of a partisan spokesman. These are the words of a statesman who has devoted years to impartially investigating human rights abuses for the United Nations. I hope that President Clinton, the U.N. Secretary General, the NATO Secretary General and other world leaders will hear these words and will heed them.

WAS CONGRESS IRRESPONSIBLE? CONSIDER THE ARITHMETIC

Mr. HELMS. Mr. President, on that evening in 1972 when I first was elected to the Senate, I made a commitment to myself that I would never fail to see a young person, or a group of young people, who wanted to see me.

It has proved enormously beneficial to me because I have been inspired by the estimated 60,000 young people with whom I have visited during the nearly 23 years I have been in the Senate.

Most of them have been concerned about the enormity of the Federal debt that Congress has run up for the coming generations to pay. The young people and I almost always discuss the fact that under the U.S. Constitution, no President can spend a dime of Federal money that has not first been authorized and appropriated by both the House and Senate of the United States.

That is why I began making these daily reports to the Senate on February 22, 1992. I wanted to make a matter of daily record of the precise size of the Federal debt which as of yesterday, Tuesday, August 1, stood at \$4,954,700,676,689.14 or \$18,808.12 for every man, woman, and child in America on a per capita basis.

¹ "The Peace Dividend: Military Spending Cuts and Economic Growth". By Malcolm Knight, Norman Loayza and Delano Villanueva. IMF, May 1995.