

The PRESIDING OFFICER. The gallery is reminded not to display any approval or disapproval of remarks on the floor.

Mr. FORD. Mr. President, I have a longtime habit that is hard to break and it is opposed to the rules of the Senate. I should not refer to another Senator as "you." It was not any disrespect at all. So in referring to the two Senators, one, I think, from Oklahoma, the other from Pennsylvania, by using the word "you" I hope that it will not be taken as an affront in any way because I did not mean it that way. I will look at the RECORD and see if I cannot straighten it out by unanimous consent.

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

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. KYL. 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 President, I ask unanimous consent that the order for the quorum call be rescinded.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. KYL. Mr. President, I ask unanimous consent I be allowed to address the Senate in morning business.

The PRESIDING OFFICER. The Senator is recognized for up to 15 minutes.

UNFUNDED MANDATES

Mr. KYL. Mr. President, the debate we are engaged in, and have been for 8 days now, is important not only because the American people are tired of the Federal Government telling them what to do—and, in the case of State and local governments and tribal governments, having the additional burden of then having to pay for those Federal mandates. It is important, therefore, not only because the unfunded mandates legislation would put a stop to that in the future and say that from now on the Federal Government is going to have to identify the cost of mandates on the private sector and is going to have to pay for the mandates it imposes on the public sector—it is important not only for that reason, but it is also important because when we pass the balanced budget amendment and send that to the States for their ratification, the State legislatures and the Governors are going to be considering whether or not to ratify that amendment. One of the concerns that they are going to have is that the Federal Government might attempt to achieve its requirement of meeting a balanced budget by simply foisting the costs onto the State and local governments and tribal governments.

I would add as a footnote that in my State of Arizona the business of tribal governments is significant, and they have to bear the burden of some of these mandates. So they are all concerned about this.

In the case of the people in the State legislature, they suggested to me that if we want the balanced budget amendment to be ratified by the State legislatures, we had better make it very clear that the Federal Government is not going to attempt to achieve that balance by laying all of these mandates on State and local governments. We might have done that in the case of the health care legislation that, I think fortunately, was killed last year. One of my friends back in Arizona called it "justifiable homicide." I am delighted we did not pass the kind of bill that was originally proposed because it would have created a huge mandate on the private sector. In fact, it was called employer mandates. And employers would have been required to pay substantial amounts of money. In some cases I believe there were situations where they really could not afford it, which is the reason they do not provide that health care today. So both for the public and private sectors it is important that the Government not impose these mandates. But as I said, it is important not only in its own right but because of the connection to the balanced budget amount.

BALANCED BUDGET AMENDMENT

Mr. KYL. Mr. President, I would like to turn for a moment to the subject of a balanced budget amendment in this overall context that we are debating unfunded mandates, and soon we will be debating the balanced budget amendment because the Joint Economic Committee held a hearing this morning and took testimony from both House and Senate Members on their proposals for achieving this goal.

When we talk about the Federal Government achieving a balanced budget without passing the costs on to the State and local governments in the form of unfunded mandates, the question of course, arises, how are we going to do it? In fact, some people, some Members of the Senate, have challenged those of us who support a balanced budget amendment as to how it is going to be done. They say be specific. Of course, we have said, "You say we don't need a balanced budget to achieve balance. So why don't you tell us how you would do it? Why don't you be specific? You have had 40 years in the case of the House of Representatives and you have not gotten the job done. Give us a chance and we will do it."

First, we want to establish the discipline that requires us to do it. Assume we had passed the balanced budget amendment in the House and it is the version that did not pass but almost passed the House of Representatives and, we believe, has the votes to pass in the Senate now and will pass the House of Representatives. That merely requires that the Federal Government balance its budget. What then? We know that there are people in both the House and Senate who propose

that we also limit taxes. I am for a three-fifths vote to raise taxes. That would put an additional constraint on the House and Senate and would make it more difficult for us to try to achieve a balanced budget by raising taxes. The fact is that has never worked.

In March of 1993, W. Kirk Hauser wrote an article, an op-ed piece, in the Wall Street Journal in which he noted that over the last 30 or 40 years revenues to the Federal Treasury have been almost static at about 19 percent of the gross national product or 19.5 percent of the gross domestic product. It has ranged very little, and it does not matter whether we try to raise taxes or lower taxes or whether we have a Democrat President or a Republican President or we were in war or good times or bad times. None of that mattered. Over a few weeks revenues would fluctuate a little bit. But very soon they would stabilize at 19.5 percent of the GDP.

In fact, when we tried to raise tax rates in order to bring in more revenue, for a very short period of time more revenue came in. Then, as people changed their behavior, it settled right back into 19 percent of GNP. When we lowered tax rates momentarily there was a reduction in revenues. But very quickly the increased economic activity that resulted from those lower rates resulted in more taxes to the Federal Treasury even though at a lower rate.

How could that be? It is like a store that has a sale. When you reduce the prices you do not necessarily reduce income. You bring more people into the store. You sell more goods, and you can make more money than if you price the goods at a very high price. It is the same thing with revenues to the Treasury.

So we reduced tax rates. We have not reduced revenues to the Treasury. They have stabilized at 19 percent of the gross national product.

The lesson to be learned from this is this: People change their behavior based upon governmental actions. You cannot expect people to just sit there and take it when the Government does things to them. The result is that if we limited spending to 19 percent of the gross national product we would be limiting spending to the historic level that the American people have been willing to pay in the form of Federal tax revenues. We would also be balancing the budget because our spending would be the same as our revenues. That is what a balanced budget is all about.

The other advantages to this kind of approach—and I have to confess that the very first bill that I introduced as a Member of the House of Representatives was a Federal spending limit as the way to balance the budget and it was also the very first bill that I introduced here in the U.S. Senate; a bill that would require a balanced budget and achieve that by limiting spending

as a percent of the gross national product.

There are additional advantages to that approach. In addition to spending the historic amount that Americans have been willing to pay to the Federal Government, we would also be achieving another extraordinarily important objective.

Mr. President, I cannot stress this point too much. People who say that all we have to do is have a requirement for a balanced budget are, in effect, saying that we could balance the budget at twice what it is today, or three times as much or four times as much as long as we bring in the revenues to pay for that.

Would anybody support that? I think not. We have a \$6 trillion economy right now. Would anybody suggest that we should have a \$6 trillion Government budget and try to raise the money to pay for that budget? We would be in balance if we could do it. But, of course, that would be extraordinarily detrimental to our standard of living, to our economy, and nobody, I think, suggests that there should be an unlimited amount of money that could be spent so long as we raise it.

So it matters as much where we balance that budget as the fact that we require it be balanced. We need to balance it at a sensible level. I suggest that the level is again a historic amount that Americans have been willing to pay to the Treasury, 19 percent of the gross national product. That is where we need to balance the budget.

It also matters how we try to balance the budget. Did we raise more revenues by raising tax rates? The answer is no, because people change their behavior. The luxury tax of a few years ago is a perfect example. Congress thought that by raising the rates on yachts and jewelry, expensive cars, we would rake in more money. Of course, rich people are not necessarily dumb. And they just stopped buying the yachts and the jewelry and the cars. So guess what? The tax revenue did not come in. And there was another very serious unintended consequence. The people who made the yachts, for example, lost their jobs because people stopped buying them. You price yourself out of the market in the private market. Government can do the same thing in the case of tax rates.

So it matters how we achieve a balanced budget, and you cannot do it by artificially raising tax rates. No. You need to do it the simple, straightforward way by getting at the heart of the problem. What is our problem? The problem is Congress spends too much. Is there any other problem? Why are we out of balance? It is because we spend too much. So the simple and straightforward way to deal with that problem is by limiting Federal spending.

There is another very important reason why I believe that a Federal balanced budget amendment and spending limit makes a lot of sense. We need to do things to stimulate economic

growth, to provide more jobs in this country. Fortunately, our unemployment rates are low right now. But it is a constant challenge, as the Secretary of Labor would attest, it is a constant challenge for us to keep this economy growing, to keep providing jobs so that future generations will have the same kind of standard of living that we have been able to enjoy.

You do not do that by sucking all of the money out of the private sector for Government revenues. I have never understood how you make people better off by taking more of their hard-earned tax dollars.

It is like the old practice of bleeding a patient with leeches in order to make the patient healthy. They figured out after a while that taking a patient's blood did not make him more healthy. The same thing is true with extracting more tax dollars. If you leave those dollars in people's pockets, they invest them, they spend them on things that are important in their lives; they will send their kids to college, they will put some money in a savings account.

By the way, what happens if they buy a stock or bond? Say they take a little of that and put it into a money market account—that is a stock; it is money that goes to a corporation which needs the money to expand, to build a new plant, let us say. Then they build a new plant. Plants are empty, so what do they do? They hire people to work in them. Putting money to work in the private sector is capitalism. That is what our economy and a free market is all about.

If you leave that money in the private sector, we will have a growing economy. Congress too often has pursued policies that are inimical to economic growth and to sound market principles. I believe if we had a spending limit requirement on a balanced budget amendment, what we would find is—particularly if we tied it to a percent of the gross national product—that Congress all of a sudden got real smart about economic policy. If we said—as my amendment says—Congress can only spend 19 percent of the gross national product, what would Congress' incentive be with respect to the gross national product? It would be to pursue policies to grow the gross national product, because the more the gross national product grew, the more the Congress could spend. If the gross national product grew \$100 billion, Congress could spend \$19 billion more. What does Congress love to do? It loves to spend money. Let us take advantage of a little human nature here. If we want Congress to promote sound economic policies, to help the economy grow, as measured by the gross national product, we say to the Congress, you can have more money to spend if the economy grows. So why do you not do some things to help it grow?

What are things we can do? We can reduce certain tax rates that are too high to promote economic growth. Studies show that there is \$7 trillion

locked up in our economy because of our capital gains tax rates today. That means if we were able to reduce the capital gains tax rates, people would say: Now there is incentive for me to turn this piece of property over that I have been holding all these years. I inherited this from Grandma Jones, and we have held onto it because if we sold it, we would have to pay a huge tax on it. But we could use the money and would like to invest it in something.

With reducing the capital gains tax rates, that family might make the decision to sell that piece of land, to reap the liquid result, the liquid capital from the sale, and invest that into something else.

Economists believe that this \$7 trillion that is thus locked up could be freed by a reduction of capital gains tax rates in a way that would generate huge economic growth because of the turnover of this capital in our market.

So there is additional incentive to balance the budget by limiting Federal spending as a percent of the gross national product. I believe it would cause Congress to be more responsible in the way we deal with our economy.

Mr. President, these are just a few thoughts that I have regarding my proposal to limit Federal spending as a percent of the gross national product. I realize that this is too tough and, in a sense, it is too sensible, and that it is going to be easier to get the votes to pass a balanced budget amendment if we are not too tight, if we are not too tough, because some people have a view that we should be able to raise taxes, for example. And so the only version that probably has a chance of passing is one that simply requires us to balance the budget. It does not set the level or tell us how to do it. It does not provide incentives to help the economy grow. But we can achieve those objectives by the way we implement the balanced budget amendment.

In conclusion, what I am going to be suggesting here very soon is that as soon as the balanced budget amendment is adopted, we need to come in behind that, in the wake of the passage of the balanced budget amendment, with implementing legislation. A lot of our friends have said, "How are you going to do it? Tell us how." Here is how I would do it. I think if we can provide implementing legislation that limits Federal spending, we can guarantee that we are going to achieve the objective in the right way. There will have to be enforcement provisions, and we will still have to make the tough, specific decisions as to exactly which programs in which to reduce spending, for example. But in terms of an outline of how we will achieve the objective, I think this spending limitation approach is exactly the right approach.

So while I would support the balanced budget amendment that does not have the spending limit requirement in it—because that is all I think we can get passed—I think we have to come in right behind that with a proposal to

limit spending as the way to implement the constitutional balanced budget amendment. Of course, as a mere statutory program, Congress can override it. We can always unpass what we just passed. But at least I think it sets forth a blueprint, a guideline for achieving the objective.

Finally, Mr. President, I think almost all of us agree that if we pass this balanced budget amendment and send it to the States for ratification, we have to begin achieving that balanced budget today. We have to go back to last year's budget and see if there is anything in the appropriations we passed last year that we can pull back—money that we can save. We need to look at this year's budget as the first of the budgets that gets us on the glidepath to a balanced budget, and set the outside limit of perhaps 7 years. But we probably ought to try to do it in a shorter period, if we can, so that when the balanced budget amendment has finally been ratified by all of the States, it will not be an impossible task for us; so that we will have already started the process and each year intervening will have brought that budget deficit down another ratchet.

If we do that, in the last couple of years when we actually have to do it as a constitutional requirement, it will be an achievable objective, and in the last year or two, we will be able to make the savings and limit spending in such a way that we can achieve that balanced budget at the time it is called for in the constitutional amendment.

So these are some of the things we are going to have to think about as the balanced budget debate begins to unfold. I think it is important to at least begin to think about them in the context of the debate we are having on unfunded mandates, because as the Governors and State legislators that have to deal with the balanced budget amendment tell us, they know we have to mean business and get on with the balanced budget amendment.

At this point, 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. NUNN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. COATS). Without objection, it is so ordered.

The Chair recognizes the Senator from Georgia for up to 15 minutes in morning business.

NATIONAL SERVICE

Mr. NUNN. Mr. President, I rise today to discuss the national service program which has been the subject of a good bit of discussion in recent media accounts and which President Clinton addressed this last week.

From the outset, I want to make it clear that I join President Clinton in

expressing my continued strong support of the concept of national service. The passage of the national service bill in the last Congress was an event that I, along with a number of my colleagues, looked forward to for many years. Since President Clinton signed the legislation into law on September 21, 1993, thousands of Americans have served our country in projects which range from teaching school in inner-city neighborhoods to preventing destruction of lands along our Nation's rivers.

The case for this initiative depends on understanding that it is uniquely a program that offers a triple investment in the future productive capacity of our people and our communities—first of all, in the service performed; the service experience, No. 2; and the postservice benefit for our young people, No. 3. I know that the word "investment" has been much abused in debate on the Senate floor in recent years, and for some it is just a code word for Government spending. We must not, however, become so cynical that we cannot see a real investment with a real payoff when it is staring us in the face.

The idea for this investment came from recognition that many Americans have, for the first time, perhaps, in our history, forgotten the relationship between rights and responsibilities. We often see reports in the news media about various groups proclaiming that this Government service or that Government service is a right. We are so often reminded of the rights all Americans should enjoy that we often lose sight of the other side of the same coin, and that is the responsibilities that we must share in order to make these rights possible. Just as we have rights to freedom, to life, liberty and the pursuit of happiness, those sacred rights carry with them equally sacred responsibilities. The National Service Program was created to provide young Americans with opportunities to fulfill that obligation to give something back to their country and to their communities.

Dr. Martin Luther King, Jr., who dedicated his life to the cause of civil rights and whose birthday we celebrated this past Monday, understood that only through assuming responsibilities that accompany our rights can we help ourselves. He said in the last Sunday morning sermon before his assassination:

Human progress never rolls in on the wheels of inevitability; it comes through the tireless efforts of men willing to be co-workers with God, and without this hard work, time itself becomes an ally of the forces of social stagnation. So we must help time and realize that the time is always ripe to do right.

National Service provides young people a means to meet the challenge to do right while expanding their own horizons and building opportunity for their futures.

Critics have tried to attack the National Service Program in a number of

different ways. During the debate on the authorizing legislation, we heard cries of how many more Pell grants we could fund with the money, or how many more job training programs we could fund with the money. Though these criticisms are valid as far as they go, they almost inevitably lose sight of the fact that National Service does not exist for the purpose of simply providing student aid or even job training. National Service exists primarily to provide service. And if the program is not providing service, then it does not deserve to exist. A good analogy is our Nation's Armed Forces. We do not maintain Armed Forces in order to provide valuable skills and develop good character in young men and women. Rather, Armed Forces personnel develop skills and character in the military as they carry out their primary mission of providing our Nation's security.

The same is true of national service. Would critics have the Senate disregard the benefits to society of national service participants providing employment counseling and tutoring to homeless people in Atlanta? Should we ignore the benefits of the first-time immunization of 33,000 children in Fort Worth, TX, in one month which was carried out by those serving in the national service program?

I could go on and on with the kind of service being provided. That is the true test of national service. Are we really serving people and helping communities? Considering the benefits national service provides at the community level, it is difficult to see why there are so many objections to this program. Indeed, given the debates we have heard on unfunded mandates and we continue to hear that on legislation in this body, I would think that our colleagues would agree that national service represents the type of program that we ought to support.

National service is not a Federal mandate for any specific type of service, nor does it require that communities participate at all. National service gives communities and service organizations and young people the chance, voluntarily, to identify and perform the kind of service which best meets their local needs with the Federal Government providing the funding. So it is almost the opposite of a Government mandate.

At the same time, it provides meaningful work for young people addressing real problems without Federal micromanagement. This real work for real value will ensure a strong payback for the taxpayers' dollar. In the process, national service instills in young people the strong traditional values of hard work and responsibility. They learn those values because they are serving. It is not a program to teach those values. It is a program where the values are learned because of service rendered.