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Senate

The Senate met at 2 p.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, Creator of the world, Ruler over all life, our Adonai, Sovereign Lord of our life, we join with our Jewish friends in celebrating Rosh Hashanah, ''the head of the year,'' the beginning of the days of awe and repentance, a time of reconciliation with You and one another. We thank You that we are all united in our need to repent, to return to our real selves for an honest inventory, and then to return to You with a humble and contrite heart. Forgive our sins of omission: The words and deeds You called us to do and we neglected, our bland condoning of prejudice and hatred, and our toleration of injustice in our society. Forgive our sins of commission: The times we turned away from Your clear and specific guidance, and the times we knowingly rebelled against Your management of our lives and Your righteousness in our Nation. O, God, sound the shofar in our souls, blow the trumpets, and wake our somnolent spirits. Arouse us and call us to spiritual regeneration. Awaken us to our accountability to You for our lives, and our leadership of this Nation. We thank You for Your atoning grace and for the opportunity for a new beginning.

Help the Jews and Christians called to serve in this Senate, the Senators' staffs, and the whole support team of the Senate to celebrate our unity under Your sovereignty and exemplify to our Nation the oneness of a shared commitment to You. In Your holy name. Amen.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The able majority leader of the Senate, Senator DOLE, is recognized.

Mr. DOLE. I thank the President pro tempore.

SCHEDULE

Mr. DOLE. Mr. President, leader time is reserved, and there will be a period of morning business now until 3 p.m. There will be no rollcall votes today, and any votes ordered will be stacked to begin starting at 2:15 tomorrow.

At around 4 o'clock today, Senator BUMPERS of Arkansas will offer a space station amendment. We do hope to have amendments throughout the day, and votes on those amendments will be ordered and set aside until tomorrow, so that some of our colleagues who have a holiday today will not miss votes. We will have votes starting at 2:15 tomorrow.

Let me repeat as I did on Friday, if we are able to complete the three remaining appropriations bills this week: VA, HUD; Labor, HHS; Commerce, Justice, State, and the continuing resolution, then we would be in recess until Tuesday, October 10.

Now, it is going to be very difficult because these are rather major appropriations bills. As the distinguished Senator from West Virginia knows, these are the big ones, three of the biggest ones, and there are some contentious issues in each one. I believe, if we have cooperation on both sides of the aisle, we can accomplish this. I have been working with the Democratic leader, Senator DASCHLE. He certainly has been helpful, and I appreciate that very much.

So I say to my colleagues, if we can complete action on the three appropriations bills—not the conference reports but complete Senate action—and the continuing resolution, then there would be a period from this Friday until Tuesday, October 10, which again would accommodate many of our colleagues because of holidays again next week.

I reserve the remainder of my time and yield the floor.

MORNING BUSINESS

The PRESIDENT pro tempore. There will now be a period for morning business not to extend beyond the hour of 3 p.m. with Senators permitted to speak therein for not to exceed 5 minutes each.

Under the previous order, the Senator from Utah [Mr. BENNETT] is recognized to speak for up to 45 minutes.

The able Senator from Utah, Senator BENNETT.

(Mr. KEMPTHORNE assumed the chair.)

Mr. BENNETT. I thank the Chair.

I appreciate the opportunity to take some time now. I apologize in advance for the state of my voice. Like many of our colleagues, I have sustained something of a cold or perhaps worse over the weekend. I am delighted we had the weekend so I got some rest and was able to recuperate a little bit. But if my voice gets a little raspy, Mr. President, I assure you there is no intention to do anything but communicate.

TAX REFORM

Mr. BENNETT. When I recently congratulated our colleague from Delaware, Senator ROTH, on his ascension to the chairmanship of the Finance Committee, he was gracious enough to tell me that he would welcome my ideas as the committee begins to deal with tax reform. I do have some ideas I would like to share with Chairman ROTH, and I will take the opportunity within the morning business period this morning to share them with the Senate as a whole.

I say quickly that many of these ideas are similar to those that were expressed recently by Senator DOLE when he addressed this topic in Chicago.

First, Mr. President, we will start with a little history, and I call your attention to this chart.

We have learned from the 1992 campaign you cannot talk about taxes without a chart, so I decided to get with the program.

Here on the chart you have a red line, and that red line matches the left-hand side of the chart. It shows revenue to the Federal Government from the end of the Second World War until now. It is expressed as a percentage of the total economic output of the Nation, or what the economists call gross domestic product [GDP].

See how exciting that red line is, Mr. President. It is flat, unchanging, unwavering. Now let us look at the green line up here. This green line shows the top personal tax rates, and the chart showing that is on the right-hand side. Back here, at the end of the Second World War, the top marginal tax rate was 91 percent, and it has moved around in the time from then until now.

You will notice there was this one bump. You may remember that, Mr. President. That was the Lyndon Johnson surcharge for the Vietnam war, when everything was left as it was but there was to be a 10-percent increase added after you had fixed your tax return. Interestingly enough, that is the only time that you see any correlation between the top personal tax rate and the Federal receipts as a percentage of GDP. This has gone from 91 percent under Harry Truman down to 28 percent under Ronald Reagan and back up to 40 percent under Bill Clinton, but the impact on receipts has been negligible, if not zero.

That should put to rest the notion that it was the Reagan tax cuts which caused the deficit to soar. The Reagan tax cuts did not impact the percentage of GDP that came into the Government in that period of time.

No, Mr. President, no matter how many tax reform bills were passed, no matter how much Congress tinkered with the tax rates, the amount of money the Federal Government received as a percentage of the economy did not move more than a point. Why? Because every time Congress reformed the system, taxpayers adjusted their behavior in response to that reform and the percentage of their aggregate income coming to the Federal Government stayed about the same. As I said, one exception is this 10-percent surcharge blip that happened before they had an opportunity to adjust.

Now, what did change—I will talk about this later on—is the rate at which the economy grew. In these years, the Reagan years, we had a period of high economic growth, indeed, the longest sustained period of high economic growth that we have had in this century.

Now, that is important to keep in mind because you look at this flat 19-percent result. Nineteen percent of a big economy produces more money for the Government than 19 percent of a small one. So what we really want most of all is growth. Now, as I said, I will get back to that later on.

As I reflect on all of the debates held over the years on tax policy, I realize that there is one word that comes up over and over again—fairness. Every time we make a change in the tax law, we are told that it is necessary to make things more fair. Franklin Roosevelt pushed for a 91-percent tax rate in the 1930's in the name of fairness. ''Share the wealth.'' That was the cry. Sharing, means being fair. Well, 91 percent is by itself not fair. If it was fully enforced on everyone who had money to invest, it would shut down the economy. People would move out of the United States as they have moved out of the European countries that have tried these kinds of confiscatory rates. So to offset the impact of this confiscatory rate, Congress enacted a series of deductions and exceptions, each one with its own fairness rationale.

What we have done, Mr. President, is this: tip the Tax Code this way to encourage that activity or tip it that way to discourage the other one. And every time we do this, the code gets bigger and more complex. The rich hire more accountants and advisers to help them stay rich, or worse, they refrain from investments that create more jobs and more economic growth in order to avoid the impact of the latest reform.

Do you remember the windfall profits tax? With oil prices going through the roof and inflation gathering steam back in the 1970's, people decided that it was not fair that oil companies, by selling proven reserves already in the ground, would make more money than they had planned on—windfall profits. So in order to be fair about it, Congress put an extra tax on those profits. Well, new domestic oil drilling dropped off, jobs went overseas, and gaslines formed. Congress eventually had to repeal the windfall profits tax after it had done its damage. And at the time of the debate on the repeal, it was argued again that the tax was not fair.

During the recess, Mr. President, back home I sat down with my accountant. It was time to finally file my income tax. I had gotten an extension on the 15th of April. And that was up on the 15th of August.

As we went over the details of my tax return, we got into a discussion of this very issue. And my accountant, unprompted by me, made an interesting comment. He said, ''Senator, the present system is not fair to anybody.'' I find that a great irony, Mr. President, that we have in the name of fairness for some created a system that is unfair to everybody.

So, I say to Senator ROTH, as he asked for my suggestions, I start with this one. Let us get out a clean sheet of paper and repeal the present Tax Code in its entirety. Let us abolish the IRS as it currently stands. Let us stop the tinkering and create a new system based on the principle that the purpose of taxes is to raise money to run the Government, not to set priorities in the economy. I will repeat that, Mr. President, because it is the heart of what has been wrong and what we must do to make things right. The purpose of taxes is to raise money to run the Government.

Now, the new word that we should enshrine in every tax debate is neutrality. Neutrality is easier to define than fairness because we can test in advance whether a tax system is neutral. We cannot test whether or not it is fair because fairness is in the eye of the beholder. Neutrality means that the Tax Code should not be used to punish the bad guys and reward the good guys. We have other laws for that. The Tax Code should be used to collect money for the Government in as neutral and nonintrusive a way as possible leaving the marketplace free to set economic priorities based on true economic demand.

Neutrality also means that payment for labor and capital would have the same tax rates. When you look at it this way, some interesting things start to happen. A tax code that is neutral can also be simple; anyone can figure it out, and the goal of a 1040 on a postcard becomes achievable. One that is neutral and simple is also one that can be stable; it need not change. We regress the way we do it now.

Now, there is great power in this idea. With a stable tax code, you will be able to start a business and know that the tax laws will not change on you midstream. You will be able to buy a house, take out a loan, put money aside in a savings account or make any other investment you want and know that there will not be a nasty surprise coming after the next election.

A tax code that is neutral, simple, and stable—that should be America's goal for the 21st century. And if we get it, I believe there will be an added bonus. A system that is neutral, simple, and stable will also be the system that comes the closest to being fair.

Now, I hear the question: ''Does this mean, Senator BENNETT, that you are endorsing a flat tax?''

I want to see the recommendations that will be coming from the tax study commission that Senator DOLE and Speaker GINGRICH appointed, the one headed by Jack Kemp, before I lay out any specifics. But, yes, I do endorse the concept of a flat tax as one way to get a system that is neutral, simple, stable, and fair. There may well be others. I am a cosponsor of the Nunn-Domenici proposal, but I salute the Kemp commission for looking at all of them, as I know they are doing.

Now, the purists will say, to be completely neutral a flat tax should have no deductions. Theoretically they are right. However, I want to be sure that in making the transition from the present to a better tax system, we do not permit American homeowners to be adversely affected by higher mortgage interest burdens. Home mortgage interest rates currently reflect the value of the existing tax deduction. If we wipe out that single deduction in a single step and leave fixed interest rates where they are, we will penalize everyone who has a mortgage. The deduction should be phased out and only after homeowners can refinance their mortgages at rates that are more advantageous to them than are the existing rates with the tax deduction. And until that happens, I endorse leaving the home mortgage interest deduction as it is.

On the question of charitable contributions, I point out that we are constantly asked in this Chamber on the Federal level to take care of people who are in trouble, to support educational institutions, research projects, the arts, or all other kinds of good works in society. Right now much of the burden in these areas is being shouldered by good-hearted Americans who want to help through churches and other charities beyond just paying their taxes. These charities are usually better run and more efficient than the Government.

We should find a way to encourage those Americans who voluntarily give beyond their tax payments to engage in these kinds of activities and thus save the Government money. So I support a continuation of the charitable deduction. And I assume that at least Elizabeth Dole will agree with me on this one.

Now, the deductibility of State and local taxes in Federal income tax systems is, for me, an issue with constitutional overtones. I believe that States have an equal standing with the Federal Government under the Constitution and income should only be taxed once. That is a principle. As I have said, I will wait for the Kemp commission to report on specific rates and levels for a flat tax, but I do ask the Kemp Commission to consider fully the impact of any proposal on the deduction of mortgage interest, charitable contributions and State taxes.

I want the Commission to explore all approaches, just so long as they are neutral, simple, stable and fair.

Let me repeat my longstanding support for indexing the tax rate for capital gains as an immediate improvement in the present system. Taxes should be on real income, not paper income. Our present system of taxing paper profits as if they were real is not only a drag on the economy, but, in my view, it is contrary to the fifth amendment prohibition against taking.

In terms of purchasing power, many Americans have experienced such a loss of their property through the tax law; the Government has taken it. Here is an example.

Suppose, Mr. President, you invested $10,000 in a business in 1975, just before the great inflation of the 1970's. Say the business survived till now but has paid you no dividend and no interest, no return at all on your money. Your $10,000 has been locked up in that investment for over 20 years.

Finally, last year you found a buyer who paid you 20,000 1994 dollars. In purchasing power, you had a loss. To break even, you would have had to sell for $27,540 because your 10,000 1975 dollars lost more than half their value in that timeframe. But in tax terms, you owe Uncle Sam $2,800 for so-called capital gains.

You not only lost $7,540 in purchasing power on the principal, you lost an additional $2,800 in taxes. The unindexed capital gains tax confiscated a portion of your investment, not your gain. In real terms, there was no gain. As I said, Mr. President, to me, that constitutes a taking in violation of the spirit of the fifth amendment. It is time to stop it, stop taxing inflationary imaginary gains.

Our system of double taxation of corporate profits, if the profits are paid out as dividends, tilts the investment community away from equity investment and toward debt. A system that is truly neutral, simple, stable, and fair would avoid this tilt.

The taking on of huge debt by corporate America in the 1980's was not driven by the fabled greed of the Reagan years that some commentators talk so much about. It was driven by the nonneutrality of the Tax Code.

As I said at the beginning, the principal economic goal that we should have is growth. If the tax system produces—back to the chart—19 percent of GDP as revenue to the Government and the economy grows faster than Government spending does, it is clear we can do something positive about our national debt. An expanding GDP allows us to reduce the deficit with increased revenue and not depend on spending cuts alone.

Mind you, I am not saying we do not need to make the cuts, because clearly we do and for a whole series of reasons. However, if we try to solve the deficit problem entirely with spending cuts and ignore the growth side of the equation, we are turning our backs on our biggest opportunity for financial stability in the years to come.

I have seen economic studies that show that if we can increase the rate of growth by simply one-half of 1 percent per year—in other words, if we can grow at around 3 percent a year instead of 2.5 percent a year, the additional tax revenue that will come from that one-half percent, combined with the cuts we propose in Government spending, will allow us to balance the budget in less than 7 years. That is what Senator DOLE was talking about in Chicago a few weeks ago.

Some say the way to get this growth is to have the Federal Reserve devalue the currency. I disagree. We have seen the dollar drop significantly in recent years, reducing America's share of control of the world's goods, but it has not brought the growth we need. We cannot inflate our way to prosperity, nor can we devalue our way to prosperity, as we learned in the stagflation years of the seventies. We need sound money with price stability tied to a neutral, simple, stable, and fair Tax Code. That is the key to our achieving the higher rate of real growth, combined with discipline on the spending side, that will give us what we need in our fiscal future.

Those are the ideas I would share with the new chairman of the Finance Committee, Mr. President. I believe that the Senate author of the Kemp-Roth bill, who is that chairman, will be receptive to this recommendation.

If I can recap at this point, our financial future depends on the following principles:

First, we need a tax system that is neutral, simple, stable and fair, based on the concept that its purpose is to raise the money we need to run the Government and not to set economic and social priorities.

Second, income should only be taxed once.

Third, phantom income should not be taxed at all.

Fourth, our deficit problems should be attacked by both spending cuts and revenue growth, with the recognition that true revenue growth derives not from higher rates but from a stronger economy.

These are the principles that are the root to the solution of our economic ills. I salute Senator DOLE and Speaker GINGRICH for their leadership in creating a commission to focus on economic growth and intelligent tax policy for the next century, and I look forward to the commission's report with great anticipation.

Now, Mr. President, since I prepared these remarks, we have had a very busy schedule in the Senate, and I was unable to deliver them in the timeframe that I had anticipated. As often happens, events overtake you, and there are some other things that have occurred since I prepared this presentation that I would like to share with you at this time.

On September 13 in the Wall Street Journal, Robert L. Bartley, who is the editor of the editorial page of the Journal, produced a piece called ''Giving up on Growth.'' I am dependent upon Mr. Bartley for the first recognition of this 19-percent reality, as he has highlighted that again and again on the pages of the Journal.

I will not take the time to read all of his editorial ''Giving up on Growth,'' but he talks about many of the same things I talked about here. How, if we could only get the economy to grow at the same rate it did during the Reagan years, during the years, Mr. President, when the marginal tax rate was down here rather than up there, that we could solve most of our deficit problems, because the income would be so

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much higher in an economy growing at 3 percent plus than it will be at an economy growing at 2.5 percent that it tips the equation favorably in our balance.

He points out that the Clinton administration has resigned itself, if you will, to 2.5 percent as the highest possible growth we can achieve into the next century, turning their backs on the Reagan experience and the empirical evidence of the Reagan years.

However, whenever this is brought up, people immediately turn to the deficit issue, and we are confronted with the next chart, Mr. President, the chart showing the red ink, the sea of deficits, if you will. Here in nominal dollars is the record of the amount of deficits we had in the last century, so small at the beginning that you cannot even find them on this chart. This little bump is the First World War. We have the Second World War. But here we are, "You see, when Ronald Reagan is elected President, look at the deficits. How can you stand there, Senator BENNETT, and say that we must go back to the Reagan years of high growth when the price we paid for that growth was the tremendous explosion of deficits?"

Then to really scare us, we are shown the next chart, when all of these deficits are accumulated in the form of the national debt, and the national debt goes up to the point where it is projected by the year 2005 to be $9 trillion.

This is a chart that scares everybody today. Well, Mr. President, let me comment briefly on this chart, before I move to the others, and take an experience out of my own lifetime.

When I was hired as the chief executive officer of the company that I headed for half a dozen years, we had some debt. It was $75,000. Today, that company has debt in excess of $7.5 million. If you were to put that debt on a chart like this, it would be even more dramatic than that. Clearly, you need to do something, Senator, this company is headed for bankruptcy because the debt has soared from a mere $75,000 to $7.5 million. But, of course, that does not tell the story.

When we had a debt of $75,000, our total sales were $250,000. Our debt was more than 25 percent of our total sales. Today, a debt of $7.5 million on a company with sales of close to $300 million is an insignificant issue indeed. But while we happen to have debt on the balance sheet of about $7.5 million, we have cash on the balance sheet of close to $60 million. You may ask why do you not pay off the debt? Well, it is left over from mortgages on buildings that were built at the time when we did not have that much cash, and there is a prepayment penalty attached to it. That debt is in no way threatening the existence of the corporation; whereas, the $75,000 debt caused us some sleepless nights. So it is not the nominal amount of the debt that we should look at, but the debt in relation to something else.

Let us go, for a clearer picture, to the next chart. Here is the chart of deficits listed in dollars that are adjusted for purchasing power. What in the previous chart was a mere blip for the Second World War now, in purchasing power, makes it clear that the highest deficit we have ever had in our history was in the Second World War, and none of the subsequent deficits have come close to it. What has happened to the economy? How big was the economy during the Second World War compared to the economy now?

So on the next chart we have computed the debt not as a piling up of nominal dollars, but as a percentage of GDP, or a percentage of the economy. And now you see that in the Second World War, the debt was close to 130 percent of total output. That is, we were spending 30 percent more than the entire economy was producing in the days of the Second World War, as the debt soared. And as soon as the war ended, the debt, as a percentage of GDP, began to fall, and fall dramatically, all the way down to during the 1970's, at roughly 30 percent of the economy. From 130 down to 30—a very different picture than the skyrocketing red ink on the previous chart.

So if you look at it in historic terms, Mr. President, today the debt, as a percentage of the economy, is roughly what it was when Dwight Eisenhower was President of the United States. We did not feel that the economy was in danger of political collapse and financial collapse during the Eisenhower Presidency. But there are differences. Obviously, the major difference is this one. It is growing now. In the Eisenhower Presidency, it was shrinking.

Let us look at the nature of the budget. In the Eisenhower Presidency, roughly 50 percent of the budget was devoted to defense. Today, I wish I could ask the distinguished occupant of the chair to respond because he serves on the Armed Services Committee and could give us a more correct answer. But the defense budget is about 6 percent—no, it is less than that, of the GDP and falling. And it is a relatively small percent of the total budget. What happened here—referring to the chart—that did not happen here? Well, in Eisenhower's time, there was no Medicaid, there was no Medicare, there were no middle class entitlements. As I say, the defense spending constituted about 50 percent of the budget.

What has happened is that entitlement spending has taken hold, regardless of whatever else is happening in the economy, and entitlement spending, as we have seen from the Commission headed by the Senator from Nebraska [Mr. KERREY], is going to take us over the cliff.

Are we in danger of immediate financial distress? No. When you look at it in this historical context, no. Do we need to do something about our financial circumstance right now, however? Yes, because these lines are going up instead of down. This is the first time in our history, Mr. President, that the lines have been going up in peacetime. Always before, when the lines went up, it was because of a war, and then they came down. Well, the cold war is over and the lines are still going up.

Now, Mr. President, as I said earlier, there are two parts of this line. One has to do with the amount of debt, and the other, since it is a percentage, has to do with the size of the economy. You can start these yellow lines moving down if you cut spending. But you can also start them coming down if you increase the size of the economy. We are back to growth, as one of the major solutions—one of the ignored solutions—to our fiscal circumstance.

Robert Bartley asks the question in his editorial:

> Have the Republicans given up on growth?

He says, talking about the importance of growth:

> Such discussion ought to start with the heirs of Ronald Reagan, the President who presided over our last period of acceptable growth. But with the withdrawal of Jack Kemp, no strong growth message comes from any of the GOP Presidential contenders, and even the newly ascendant Republicans pitch their rhetoric toward sacrifice rather than hope.

I object to his characterization of the majority leader's position. I think his statement in Chicago, which is in concert with the statement I have just made here, makes it very clear that he at least is determined to support growth as a major goal should he accede to the Presidency. Steve Forbes has just entered the Presidential list, calling for growth as the major goal of the Forbes administration. So there are contenders who, contrary to Mr. Bartley's comment, are focusing on growth. But as a general rule, his criticism, I think, is well taken.

He goes on:

> Even Representative Dick Armey's flat tax, in fact an incentive-boosting and investment-oriented initiative, has been promoted so far with arguments about simplification. It is almost as if Republicans are ashamed to promise growth.
>
> Despite their congressional triumph, that is, Republicans are still spooked by rhetoric about "the rich" and a "decade of greed." In the off-year elections, President Clinton's every campaign appearance was marked by assaults against the 1980s; when votes were counted, the 1980s won. The Republicans could boost their own fortunes, and give the nation a badly needed psychological lift, if they started to claim their own birthright, to promise a return to the economic growth of the Reagan years.

I conclude, Mr. President, by going back to the original chart once again, which has been up for so much of my presentation but needs to be looked at again. We have been told ad nauseam that the reason we are in deficit now is because of the disastrous tax cuts of the Reagan years. The fact is, the tax cuts of the Reagan years have no impact on the percentage of the economy that came to the Federal Government.

As Mr. Bartley points out, they had a tremendous impact upon the rate at which that economy grew. Nineteen

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percent of a rapidly growing economy produces more money for the Government than 19 percent of a stagnant economy.

Mr. President, I certainly support spending cuts. We need to enforce spending cuts for a whole series of reasons.

I conclude by saying that the Republicans in this Senate need to recognize, as Senator DOLE called on us to recognize in his speech in Chicago, that our main goal for the economy should be long-term sustained growth in excess of the 2.5-percent rate for which the Clinton administration is prepared to settle.

If we can do that, Mr. President, if we can get the growth rate back up to where it was in the Ronald Reagan years and then with spending cuts get some control over the runaway entitlement pressures, we will see this line of yellow bars begin to move back down as it has done throughout our history.

We will leave to our children not only a Federal debt that is under control but an American economy that is growing rapidly enough to create the number of jobs and job opportunities that our children and grandchildren so richly deserve.

I apologize for the length of this presentation. As I say, we have opportunities only so often in morning business in which to give them, so I have combined several topics here in a single presentation on a Monday afternoon.

I thank the Chair for his attention. I yield the floor. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. FORD. 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. FORD. Mr. President, I understand that the distinguished Senator from North Dakota [Mr. DORGAN], has the balance of the time of 15 minutes. I ask unanimous consent that I have a portion of his time, if not all of it.

The PRESIDING OFFICER. The Senator from North Dakota, by previous order, was to be recognized for up to 15 minutes.

Without objection, the Senator from Kentucky is recognized.

DOT INSPECTOR GENERAL REPORT CONCLUDES NO WRONGDOING

Mr. FORD. Mr. President, earlier this year newspaper reports detailed allegations that FAA personnel may have withheld or destroyed documents to avoid the public release of information embarrassing to our colleague and Democratic leader DASCHLE and Deputy Administrator Linda Daschle, his wife.

Shortly after there appeared further allegations that Mrs. Daschle may have violated the terms of her recusal at the FAA by involving herself in the agency's consideration of certain policy proposals by the leader for the consolidation of air charter inspections.

The distinguished chairman of the Senate Subcommittee on Aviation, Senator MCCAIN, requested a full investigation of these allegations by the Department of Transportation office of inspector general.

Senator DASCHLE supported that request because he felt the allegations needed a thorough inquiry.

Last Thursday, after an exhaustive investigation of 7 months, the inspector general released his report finding no basis in fact for these allegations.

Mr. President, whenever allegations originally are carried in the press with great fanfare, are investigated and found to be groundless, fairness to all concerned requires that we take the same notice of the resolution as we did the original charge.

Mr. President, let me read just one paragraph from the inspector general's report as it relates to these allegations. I think it says it all.

> This investigation disclosed no evidence to substantiate that documents were destroyed as alleged. Nor did this investigation disclose evidence to substantiate that Deputy Administrator Daschle violated her recusal. Accordingly, it is recommended that this investigation be closed.

For the benefit of those who may have missed the stories in Saturday's newspapers, Mr. President, I ask unanimous consent that the report of the inspector general be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Department of Transportation, Office of Inspector General]

REPORT OF INVESTIGATION—ALLEGED DESTRUCTION OF FAA DOCUMENTS CONCERNING B&L AVIATION

I. PREDICATION

This investigation was predicated on a letter from Senator John McCAIN to Inspector General A. Mary SCHIAVO dated February 8, 1995, requesting an investigation into allegations raised by Gary M. BAXTER, Aviation Safety Inspector, Federal Aviation Administration (FAA), Great Lakes Regional Office, Des Plaines, Illinois. Senator McCAIN transmitted a letter which BAXTER wrote to Senator Larry PRESSLER dated January 3, 1995, containing four separate allegations, one of which alleged destruction of records. On February 3, 1995, FAA Administrator David HINSON also referred the allegation of record destruction to the OIG requesting an investigation.

BAXTER alleged that unspecified FAA documents were destroyed by FAA personnel during the processing of a request for documents under the Freedom of Information Act (FOIA). The FOIA request was made by Attorney Matthew MALONEY in April 1994, seeking records pertaining to B&L AVIATION (B&L) of Rapid City, South Dakota. MALONEY represents the families of two of the victims of a February 1994, crash of a B&L aircraft in North Dakota. Essentially, BAXTER alleged that documents were destroyed because the public release of those documents may be embarrassing to Senator Tom DASCHLE of South Dakota and his wife, Linda DASCHLE, who is Deputy Administrator of the FAA.

Linda DASCHLE was nominated FAA Deputy Administrator by the President on November 19, 1993, and confirmed by the Senate on November 20, 1993. At the outset of our investigation, Deputy Administrator DASCHLE disclosed to the OIG that in the summer of 1994, she had selected an FAA employee from Rapid City, South Dakota, to temporarily serve on her immediate staff. This disclosure raised issues concerning Deputy Administrator DASCHLE's recusal from matters involving her husband because the employee had been directly involved in working with Senator DASCHLE's staff during 1993 and 1994 on the issue of consolidated inspections.

II. BACKGROUND

On February 24, 1994, a plane owned and operated by B&L, crashed in Minot, North Dakota. The crash killed everyone on board, including a B&L pilot and three Indian Health Service doctors. The investigation by the National Transportation Safety Board (NTSB) cited both pilot error and poor weather conditions as factors contributing to the crash.

B&L was established in 1968 by Mr. Merl BELLEW and a former partner. The company consists of an air taxi operation, a repair station, and a pilot school. It employs approximately eight individuals and owns and operates approximately 20 small aircraft. B&L is an authorized FAA air taxi operation, in accordance with 14 CFR Part 135. As such, it is required to undergo bi-annual inspections by the FAA in order to ensure its compliance with Federal Aviation Regulations (FARS). Additionally, B&L contracts with certain government agencies to provide various services. These agencies include the Department of Agriculture (USDA), U.S. Forest Service (USFS) and the Department of Interior (DOI), Bureau of Indian Affairs (BIA).[1] Unlike the FAA which inspects for compliance with the FARS, these agencies inspect for compliance with contract specifications once a year.

Over the past 10 years, Senator DASCHLE has performed constituent services on behalf of B&L which involved contacts by Senator DASCHLE and his staff with officials of the FAA. The most significant area of constituent service involved the issue of consolidated inspections for aviation charter operations.

In 1992, BELLEW personally raised the issue of consolidating aviation inspections to Senator DASCHLE. B&L voiced concern over alleged redundant inspections conducted by the FAA and the USFS. This prompted the Senator to become involved on behalf of his constituent. Between June 1992, and April 1994, Senator DASCHLE and his staff pursued the issue of consolidating aviation inspections through meetings and correspondence with the FAA and the USFS.

Senator DASCHLE ultimately introduced an amendment to the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 transferring USDA aviation inspection authority to the FAA. The amendment was unanimously adopted by the Senate but resulted in compromise legislation based on questions raised by Congressman Charlie ROSE. The compromise legislation required a study be performed by a joint FAA/USDA review committee. In its report, dated May 1995, and signed by the Secretaries of Agriculture and Transportation on July 31, 1995, the committee concluded that ''Alternate 1 [i.e., the current system] was the only alternative which fully satisfied the mission preparedness and safety oversight criteria contained in the Act.''

Footnotes at end of article.