which is what we are doing now—I am part of a group that the Democratic Leader DASCHLE has put together to discuss and come up with a proposal so that we have something that we can try to reach agreement with Republicans over.

I am trying to say to Democrats as we do that, that yes, we should defend those things we think are important, make sure that Medicare has a sufficient amount of resources, for example, so that we do not have to unnecessarily punish particularly rural hospitals, and look for ways—I think block granting Medicaid is not a good thing, and rejected that.

We should object to things we do not like in the proposal, but in addition to looking for a way to bridge the gap, which if I was going to predict I think likely will knock the CPI back by half a point and shave the tax thing back by *x* amount of dollars and put more money in Medicare and Medicaid and go home and say we have a deal.

That is lying there to be done. I do not know if we will have the capacity to get it done, but we will now have a move toward balancing the budget in the year 2002.

The only impact we have with our vote is on this year's budget. The difficult thing I have is that according to the Congressional Budget Office, the proposal that was passed with all Republican votes actually increases the deficit next year and increases the deficit the year after.

Why? Because the tax cuts are front-end loaded. Again, if you examine the Congressional Budget Office's analysis of the tax cut, it produces less economic growth. The CBO is saying that the status quo produces more growth than what we have with the $245 billion tax cut.

Even if you could find a way to bridge the gap and say, "Use the CPI to eliminate the cuts in Medicare and figure out some way to bridge the gap," we are left with a tax cut proposal that does not promote economic growth, which I think ought to be mission No. 1 as we analyze our tax system.

I am merely saying that I am prepared and am in the negotiations as we meet on the Democratic side, and I find myself with an unusual opportunity with so much morning business—we have had very little of that lately. As I find myself with an opportunity to come to the floor and talk about this, I just want to waste no moment to stand up and say that not only do we need to balance the budget, but we need to change these mandatory programs, the laws that govern.

Democrats who say, "Gee, I want to spend more money on education; I want to put more money in child care; I want to put more money in rural health clinics; I think we ought to do more in research and science." Republicans who say, "I think we need more law enforcement," or Democrats the same way—once we decide, and there is a lot of agreement.

This whole diatribe started with praise from the Senator from Rhode Island and the Senator from Idaho for their work on the Safe Drinking Water Act and I pause to note that the distinguished senior Senator from Missouri said quite accurately that we have authorized more than we will be able to appropriate for the infrastructure to keep our drinking water safe; that a dominant reason we are not likely to have the money for those kinds of investments is that we are seeing an increase year after year after year of money going to mandated programs.

Mr. President, 34 percent of the budget this year goes to appropriated accounts; 64 percent of the budget this year is mandatory programs and interest; 36 percent is left over for appropriated accounts. At the end of this 10-year cycle we have lost another nine points; another nine-point increase in mandatory and interest.

For all the rhetoric on both sides of the aisle about taxes, the one thing I say to taxpayers that has remained constant as a result of general success in keeping the economy growing, keeping the environment such that investors create the jobs like I mentioned with Steve Jones and Jim Clark earlier with Netscape and so forth, the companies that are creating wealth and creating more economic activity, that growth has enabled us even though we spend more money, the percent of the Federal budget of our economy has remained about 19 percent.

Unless somebody is proposing to increase that beyond 19 percent—that is your given—and what is happening is more and more money is going, a larger and larger share of that 19 percent, is going for mandated programs, leaving less for everything else.

I hope I persuade Republicans that there is an alternative course here for us, to vote to do something that will revolutionize our future. And I hope to persuade Democrats, as well, who want to collectively invest in education and so forth, that the only way we will be able to do that is to get our arms around these mandated programs in some more aggressive fashion than is even in the Republican budget proposal.

I appreciate the very kind remarks of the distinguished Senator from Washington, and I hope that the kindness begets kindness. I hope we end up into the day voting in a bipartisan fashion for something that does revolutionize our future, that does move us in a radically different direction than the one we are heading right now because, folks, we are heading in a direction we do not want to go.

We will end up in the future saying, why did we not do that when it was easy? It is easier today than next year. And it will be easier next year than the year after. This is not one where time is on our side.

As tough as adjusting the CPI by a point looks, as tough as it might seem to phase in over a 15- or 20-year period adjustment in the eligibility age from 65 to 70, as tough as those things look today, every year you wait it gets tougher to do it. Every year you wait we will have to impose changes that are more difficult for those Americans who have planned on those programs being there for them.

I yield the floor.

The PRESIDING OFFICER (Mr. GORTON). The Senator from Tennessee.

A BALANCED BUDGET

Mr. THOMPSON. Mr. President, first of all I, too, want to commend the Senator from Nebraska. I am sure he will not get used to it, but, for today, I do. Because I think the work he and Senator DANFORTH and Senator SIMPSON and others have done regarding the Entitlement Commission is probably the single most important effort that has gone on in this town for a long, long time. They probably feel like voices crying in the wilderness right now. But it will not always be that way. It is something that will grow. People pay more and more attention, because it is the fundamental truth and the most important truth that is in existence with regard to this entire effort.

I think the Senator from Washington, a few minutes ago, was absolutely correct in terms of his assessment of the current situation. We are talking about a short-term consideration and we are talking about a long-term one. The current situation is we have struggled mightily this year, with great difficulty, and we have produced a balanced budget. The President, while giving lip service to that proposition, is apparently going to do everything he can to avoid a balanced budget because it means giving up power, it means giving up spending authority, it means giving up prestige with regard to certain interest groups that elect people in this country.

But, hopefully, we will resolve those differences and we will wind up with a balanced budget. I know we are committed to it. The Senator from Washington is committed to it. That is what we promised we would do. That is what the American people said they wanted. We are going to take them at their word. It is just that simple. We can negotiate around the edges, but, as far as a commitment to a balanced budget, a real balanced budget, we are there.

The Senator from Nebraska makes a very fundamental point. In the middle of all this, it is very important that we keep in mind what we are doing now is just child's play with regard to the important issues facing this country. He is absolutely right that we are doing the more easy part of it now and putting off the more difficult parts for later on.

The thing that has been disturbing, I think, to many of us throughout this entire debate who are somewhat new to this process and just having come to the Senate is, as we take a broad view of it, it becomes so difficult even to get to the first step. We are just really nibbling around the edges. The Government is still going to be growing at a tremendous rate. All these programs are going to be going at very substantial rates. Yet it is so difficult.

We are going to have to do more next year, as the Senator from Nebraska says. We are going to have to do more the year after that. We are going to have to behave and perform so well for so many years that, when you look at the current state of events, it is very depressing.

Frankly, that is one of the arguments I use for term limits. I am not at all sure we have what it takes as an institution to bite the bullet and do what we know has to be done, because we are bankrupting the next generation. These figures are not sustainable. The figures the Entitlement Commission has put out are not refuted. A handful of programs are going to take our entire gross national product in about 17 years in this country.

The question becomes, fundamentally, in a democracy can a democracy, once people have discovered that they can pay money to themselves, can they ever stop or can they ever restrain themselves or can they ever restrain the rate at which they are paying themselves from their own treasury?

Europe is going through the same kinds of problems that we are right now, and we do not have an answer to that question yet. So, either by getting people to come to this body and getting people in the White House with a different view, with a longer term view, or by having us have a change of heart in this body—these are the only ways that we going to solve these longer term problems that are lying out there, that are down the road.

I have always thought, and am more convinced every day, that in order to solve this problem, ultimately it is going to have to be both parties pulling in the same direction. It is going to have to be the White House and the Congress pulling in the same direction. As long as you have somebody in the White House who is going to demagog and scare old people and take millions of dollars worth of television time misrepresenting what the other side is trying to do, and as long as you have people in both parties who are timid about facing up to these problems that the Senator from Nebraska has been talking about and really just want to push them over and make the real tough cuts and heavy lifting 7 years down the road when they may or may not even be here, we are never going to get the job done.

I think it just points up, when we look down the road, the fundamental truths that the Entitlement Commission laid out before us, the disastrous consequences of even moving along the road we are on if we do not do even better. It sheds, really, I think, new light on what we are doing here. If we cannot do this, if we cannot make these incremental adjustments now without really hurting anybody—when we are talking about the difference of $4 a month in part B, the difference between what we are saying and what the President is saying—if we cannot get past that, if we cannot reduce the rate of spending by 3 or 3.5 percent a year in these programs that are eating us alive, if we cannot do that now, we do not have any hope as a nation.

Again, hopefully, the President will see fit to look past next year's election, on into the future and the kind of world our kids and grandkids will be growing up in, and try to do what is necessary to preserve these programs we say we all want, and we will get together and we will have a balanced budget for ourselves and for the benefit of our kids and the future and strength of this country.

I yield the floor.

SMALL FAMILY FARMS AND BUSINESSES

Mr. ABRAHAM. Mr. President, I rise today to talk about an important issue for small family farms and businesses in my State of Michigan and across our country.

Family businesses need estate tax relief. Federal estate or death taxes kill family-owned businesses. These taxes impose an unbearable burden on our Nation's most productive citizens—family business entrepreneurs. The estate tax eliminates jobs and permanently damages communities that depend upon these businesses.

Family businesses have the opportunity to continue growing and creating jobs for generations, instead of handing the business over to the IRS.

Current estate tax rates range from 37 to 55 percent. Faced with the tremendous burden imposed by this tax upon their death, business owners in my home State of Michigan and across the United States, will react in several of the following ways:

First, the business owner will not expand the business because large capital expenditures for long term growth make little sense when the family will soon be forced to sell or liquidate the business.

Second, the children will not participate in the business because the business owner, knowing that taxes will prevent children from continuing operation of a family business, will often discourage their children from working in the business and encourage them to gain experience elsewhere.

Third, the business owner will pay dearly in estate planning costs. Even if business owners have the foresight to plan early for their death, the expense of this planning, in insurance, legal and accounting costs, can be enough to eliminate the business' small profit margin. These extra insurance, legal, and accounting costs are especially burdensome because small businesses survive on cash flow, not profit.

Fourth, heirs may not be able to afford tax payments. Despite some planning, heirs are often still faced with a significant tax burden. Even paid out over time, taxes may be too much of a burden to survive in an internationally competitive market. Plus, what bank is going to loan money to a business that the IRS holds a first lien against?

Mr. President, I ask unanimous consent to have printed in the RECORD an article from today's Wall Street Journal, entitled "Will Uncle Sam Inherit the Family Business" by David Pankonin. This describes the terrible effects of estate taxes on his fourth-generation family business. Mr. Pankonin's story is typical of thousands of similar family businesses across the country.

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

[From the Wall Street Journal, Nov. 28, 1995]

WILL UNCLE SAM INHERIT THE FAMILY BUSINESS?

(By David Pankonin)

Cleaning out a box in the back office a few Sundays ago, I came across the hand-written contract that passed the family business from my great-grandfather to my grandfather. it was dated Dec. 8, 1910. That was the day my grandfather became proud owner of Pankonin's retail farm equipment company for the princely sum of $518.09. Farther down in the same stack of papers, I discovered a second document, a partnership agreement between my grandfather and my father, dated 1946. Times having gotten considerably more complicated by 1946, the document ran to two pages. The value of Pankonin's had risen to $8,912.66.

I plan to put those pieces of paper in a glass case out in our showroom. When our customers come in to see next year's new tractors and combines, they can see the little bit of the history my family has put into the place.

Statistically, my company shouldn't have made it this far. The survival rate for family firms for a first- to second-generation transfer runs about 30%. For firms that stay in the family from the second to third generation, that number drops to 4%. For the fourth-generation transfer that put the company in my hands, it's a fraction of 1%. At 16, my son isn't spending every moment thinking about his chances of running the family business, but as his father, I'd like to know what I'm working toward. Will I be able to pass the company inherited from my father along to my son—or in spite of what my will might say—am I just working hard to pay an heir called Uncle Sam?

My worry is a real one. According to a recent Gallup Poll, one-third of all small-business owners will have to sell outright or liquidate a part of their firm to pay estate taxes. Of those who have to liquidate to pay the Internal Revenue Service, half expect they'll have to eliminate 30 or more jobs. Another 20% of those firms put the number of employees they'll have to let go as high as 100 or more.

My father died when I was 23 years old, one quarter away from completing my MBA at Northwestern. When I came home for the funeral and decided to stay to run the business, my mother became my banker, generously extending me 100% of my financing. We made it work. Making it work the next time won't be so easy. The reason is that for tax purposes. Pankonin's and our dealership building is worth substantially more than in those early years.

Today at my company we've got 16 employees. They're not family, but they're the