

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 plan-

ning, 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

next closest thing. If, after I'm gone, my wife has to shut us down, what will they do? Maybe it's not something you can measure in dollars and cents, but they've got a stake in this company, too.

At our store, we see plenty of people in the same situation. Farming is a high-investment, low-margin business. It's not uncommon to meet farmers who are paper millionaires—asset rich, cash poor. That may be hard for the rest of America to imagine; then again, maybe not. Think of all the retirees who own homes on either coast, bought 30 years ago for \$30,000 but worth \$350,000 today. I'll bet they don't feel "rich" either—at least until they sell their home and see that capital gains tax bill.

When my time comes, I'd like my son to be thinking about whether it's right for him to run the family business, not whether he's ready to saddle himself with a lien against the paper value of the business to pay the inflated estate tax—or whether he's calculated how many employees he'd have to let go to clear the bill with the IRS.

The best solution would be to exempt the hundreds of thousands of small family businesses across this country from the estate tax altogether. Congress and the president could haggle over how small is small, but the principle would be carried into policy. If the political climate isn't right for a complete exemption, then President Clinton ought to adopt the proposals Congress has built into its budget plan: Raise the federal tax exemption for family-owned business assets to \$1.5 million, institute a \$750,000 personal exemption and cut the tax rate for qualified small businesses in half for assets between \$1.5 and \$5 million.

President Clinton calls the tax reforms Congress is backing "tax cuts for the rich," and says he's holding out for cuts that help American families. Nice rhetoric. If he's serious, he'll take a second look and support the tax reforms in Congress' plan. If the small family businesses of America don't get some relief, federal taxes may just be the death of us yet.

#### A FURTHER STEP TOWARD LASTING PEACE IN NORTHERN IRELAND

Mr. PELL. Mr. President, yesterday, British Prime Minister Major and Irish Prime Minister Bruton took a significant step toward breaking the deadlock that had beset the Northern Ireland peace talks for the last several months. The two governments agreed to establish an international commission headed by former Senator George Mitchell which will make recommendations regarding decommissioning and to work to hold all party talks by the end of February 1996. Their announcement, on the eve of President Clinton's visit, revives the twin-track approach to achieving a lasting peace in Northern Ireland. This is good news indeed.

Both Prime Minister Major and Prime Minister Bruton deserve a great deal of credit for moving the process along. The challenge now is to bring the various parties on board. All parties must recognize that it is in their interest to move forward. The situation in Northern Ireland today is completely different than it was just 16 months ago—prior to the cease-fire. There are, for example, fewer British soldiers occupying the streets of Bel-

fast; no longer do Protestant and Catholic mothers have to worry that their sons and daughters will be struck down by terrorist violence; and both communities in Northern Ireland are beginning to focus their efforts on economic development rather than continued conflict.

I am certain that President Clinton will reinforce this message—that the momentum needs to continue—during his visits to London, Belfast, Derry, and Dublin. The Clinton administration's unfailing support for the peace process has been a significant factor in getting us to this point. I am hopeful that his visit will contribute to the momentum.

Finally, from a personal standpoint, I am particularly pleased that George Mitchell will head the international commission on the decommissioning question. I have a great deal of regard and respect for Senator Mitchell, and believe that he will bring a great deal of wisdom and creativity to this position. I can think of no better person for this important post.

#### THE IMPACT OF DESIGN ON COMMUNITY AND PRODUCT DEVELOPMENT

Mr. PELL. Mr. President, I rise today to note the extraordinary impact of design on community and product development. Many years ago I helped establish an Institute of Research and Design in Rhode Island. But to my regret, I was not able to get it properly launched. The organization was intended to help my State take advantage of the enormous economic benefits of new designs created by our citizens. Design impacts our economy, environment, education and social sphere. It is a strategic national resource with potential to improve the global competitiveness of U.S. products. Design is a tool to analyze problems, develop critical thinking and communicate solutions. It offers numerous opportunities for creative partnerships with government, manufacturing and technology industries, social and community planners, scientists and educators. As the following speech documents, all of us make design decisions in nearly every life activity.

Because of the presence of the internationally-acclaimed Rhode Island School of Design [RISD], Rhode Island attracts a large number of people to the State to discuss design issues. Last March, RISD hosted a National Design Conference, sponsored by the National Endowment for the Arts, that explored the main challenges for design in the coming century and ways in which design strategy can be better employed to increase American economic competitiveness. In mid-November, the National Assembly of State Arts Agencies held its annual meeting in Providence where the professional and volunteer leadership of the Nation's State and jurisdictional arts agencies discussed the

challenges of leadership in the changing environment of public support for the arts. NASAA devoted the better part of a day to discussions of design programming, and featured Roger Mandle, president of the Rhode Island School of Design since 1993, as a keynote speaker.

An art historian, educator and current member of the National Council on the Arts who served as deputy director at the National Gallery of Art for 5 years following 11 years as director of the Toledo Museum of Art, President Mandle possesses a comprehensive perspective of the societal importance of arts and design. Rhode Island and the Nation as a whole have benefitted enormously from his work. Mr. President, I would ask unanimous consent that this important address delivered by Roger Mandle be printed in the RECORD following my statement.

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

#### DESIGNING TO MEET THE NEEDS OF THE FUTURE

(By Roger Mandle)

Thank you for being here today. It is more important than ever that we come together through gatherings such as this to plan the future of design in America, to in fact design the progress of our culture and our society. I am convinced that issues of design hold the key to the future, which isn't surprising, perhaps, considering my current role.

What I am going to talk about today is the importance of design in terms of community development and economic impact, and the potential of design for meeting the needs of the future. By "design," I am referring here to both the noun and the verb. When I refer to the noun—the art of design and the discipline of design—I am thinking of good design, design that is appropriate, well thought-out and aesthetically pleasing. When we think of the verb "design," we think of the creative process, the act of conception and invention. Today, I want to talk about how both aspects of design—the practice and its outcome—play a pivotal role in the world in which we live.

Practically everything we do in life—as individuals and as communities—involves a design decision. Whether consciously or not, we solve problems and make choices by following the design process, using creativity, experimentation, intuition and thought to come up with the ideal solution to the challenges we're confronted with on a daily basis.

As individuals we design everything from our careers to our homes, our dream vacations, even our own look. The process involves: examining the circumstances, defining the problem, considering the resources, trying certain arrangements, establishing probabilities and testing outcomes. In many ways, it is similar to the process a research scientist follows in testing a theory.

In making these day-to-day design decisions, however, we don't just want our homes or clothes to look good, we also need them to be comfortable and functional. Good design is the effective use of available resources in patterns, combinations and arrangements that provide pleasing solutions to needs. Good design makes the things you use everyday work better for you. It also makes good business sense, because products that are well-designed sell better.

To most of us in this room it's clear that art and design are essential to the health of