products, also creating a real difficulty of manufacturers and retailers to raise prices.

Some people also see a new culture developing in many manufacturing areas which places considerable pressure on suppliers to avoid cost increases and to develop new, lower cost methods of producing goods. To some extent, gains in computer designs are providing methods to accomplish that goal. Productivity seems to be covering a significant share of the wage increases that are occurring.

I would also note, Mr. President, that wage and salary costs have only increased by about 3 percent in 1994. A significant part of that is covered, as I said, by increases in productivity. So, wage costs were—considering productivity—less than the inflation rate in 1994. I want to repeat that because it is very important to note this. Wage costs were, when we consider the increase in productivity, less than the inflation rate in 1994.

So, Mr. President, economic theories that may have proven true in the 1950's or 1960's or 1970's may not be useful today. I believe that Mr. Greenspan is living in the past. Companies that have recently hired large numbers of employees do not seem to need to pay higher wages. Lands' End hired 2,200 people for the Christmas season, Sears hired 40,000 Christmas workers, but they saw no increase in wage levels. MCI, which hires 10,000 to 15,000 people a year, also has not been pushed to raise wages.

So where, I ask, is this inflation that the Fed has been expecting and warning about? Mr. Greenspan says if we do not act now, it will come. The Fed says it takes a long time for the pain of their interest rate increases to work their way through the economy to cause the economy to slow down; that is, to interpret that, to cause enough people to be laid off and fired for enough unemployed people to stay that way. I may agree with that. It may take from 6 to 18 months for that to happen.

Is it logical, I ask, to rush forward with a seventh increase in interest rates when we have not even seen the impact of the earlier increases? Since the Fed Chairman believes inflation has been running at less than 2 percent, I believe we could take a very small risk of a slight increase in inflation in order to limit the likelihood that the economy will take a serious plunge into recession and far higher unemployment. I would think it would be far more prudent to wait to increase interest rates any more.

In fact, Mr. President, I believe that from the actions taken by the Fed with this recent increase in interest rates, we may be seeing in the next year a severe downturn in the economy in 1996. We might think of the height of interest rates as a mountain, and as the speed of the rate increases, remains high, and the height grows, the cliff on the other side, the deep valley into which the economy may fall, will become more painful.

I think it is past time for the Federal Reserve to pull back its bulldozer. Let the economy work through the interest rates already put in place. Then, after that has happened, we can consider further action. That is the way to get a soft landing for the economy that we all want, rather than having it tossed off a cliff. I believe that is exactly what may happen next year.

There have already been a few signs of a slowdown in the economy. Total construction fell by 7.7 percent in December, the largest decline of the year. Construction is very sensitive to interest rates. Housing fell by 8 percent; again, very sensitive to interest rates. Personnel income rose nicely in December, by 0.7 percent, but consumer spending went up by only 0.2 percent.

This morning, the leading economic indicators showed a slim 0.1 percent gain. These are signs that economic growth is near its peak. This is not the time to further burden the economy with higher interest rates. The Federal Reserve and the Open Market Committee should be balanced in its views and actions. It should not be led by ideological zeal on one single factor, inflation, and, I might say, the veiled threat of inflation. There should also be a concern for the well-being of manufacturers and farmers and main street businesses and American families and homeowners and car buyers.

So, Mr. President, I strongly urge the Federal Reserve to hold the line on interest rates, limit the damage they have already done to our economy, and give us some good news today and say they are not raising interest rates a seventh time.

Mr. President, 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. THOMAS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Wyoming is recognized for 5 minutes.

BALANCED BUDGET AMENDMENT

Mr. THOMAS. Mr. President, I come to the floor to talk about the subject that is before the Senate this week, and I suppose next week and possibly the week after, the balanced budget amendment. I think we will have extended debate, probably longer than we need, some of which will be to talk about options, some of which will be to talk in real debate about differences in view, but much of it will simply be designed, I think, to delay action on what I think to be a very important issue. So, it will be difficult to focus on new information.

It seems to me there is a very basic question that has to be asked first, before all the detail is entered into and that is, is it morally and fiscally responsible to spend more than we take in? I think that is the question that most Americans ask of their Government: Can we continue to spend more than we take in? Is it morally wrong to spend more than we take in, to transfer that debt to someone in the future? I think Americans ask, is it fiscally responsible to continue to spend more than we take in? The answer, obviously, ''is no,'' it is not morally responsible, it is not fiscally responsible. So, that is the basic question. And most everyone would answer that the same.

Then we get into a great debate about how we do it. I support a balanced budget amendment. I believe very strongly that it needs to be done. I believe very strongly that it has worked in the States. What are the arguments against it? We hear them time and time again. One of them is it is not needed. The evidence is it is needed. This Congress has not balanced the budget. It has not balanced the budget in 26 years and only balanced it five times in 50 years.

So the evidence is that, sure, we can balance the budget. The fact is that Congress does not. The fact is, it is a little easier to say we like the programs; if we can put it on the credit card, we will do it. If we have to pay for it, it is a different matter. Then it is a matter of setting up priorities. Then it is a matter of a cost-benefit ratio, and we hear, ''Here is what it costs. Here is the value.'' The decision may be different than saying ''Here is the value. We do not have to pay for it now.''

Some say it is not needed. I suggest that the evidence would indicate that it is. Some say we already have the tools; we can do it this year. Certainly, that is true. Again, the evidence shows that that has not happened. It is very difficult. I am persuaded that there needs to be a constitutional discipline to balance the budget on a continuing basis.

Some say it is too strict, it is too confining. It does not need to be. There are arrangements that in case of emergencies—some say in case of war—it can be changed, of course. It can be changed by a vote or supermajority vote or written into the amendment that it is changed under certain circumstances.

Again, I say to Members that almost all of the States in this country have balanced budget amendments. In my State of Wyoming it is in the constitution, and it is not troublesome for that reason. We heard an extended argument earlier this week on how courts and judges would be deciding. The evidence does not show that in the area where we have had a balanced budget amendment in the States. The courts do not do the budgeting. That is, I think, not a good reason for not moving forward.

Mr. President, the balanced budget amendment is one of the several procedural changes that seem to me to be imperative. Several of the changes were clearly in the mind of voters in November, changes that will have a long-term impact, not just on this year's decisions in the Congress, but an impact on the way Congress behaves over time. That is the more important question.

We keep expecting different results and continue to use the same process. There is really little reason to expect that results will be different if we continue to do the same thing. We need a forced discipline. We need an external constraint. I think that is true of most political bodies, frankly. Politicians love to be able to provide programs. Politicians love to be able to solve problems. Politicians sort of get to where they like to have problems to resolve for their constituents. A man with a hammer thinks every problem is a nail.

We need some constraint, some constitutional discipline. The Federal debt is nearly $5 trillion, over $18,000 for every person in this country. We spend $800-plus million per day in the gross interest payments.

So we have a moral imperative to balance the budget for people in Wyoming and people in every other State. Families have to balance, businesses have to balance, States, by and large, have to balance, and the Federal Government should have to balance as well and not pass off the debt on its children and grandchildren.

Opponents say, ''We already have the tools.'' The evidence shows that we do not. The Federal Government has spent more than it has taken in for 55 of the last 63 years. Not a good record—not a good record—and not a good basis for saying we do not need to do anything.

So, Mr. President, I am sure we will hear about draconian cuts. The fact is that what we have to do is slow the growth. We have been increasing spending at 5 percent. Say we increase it only at 2 percent.

So I hope as we go forward, we can continue to make some points about the balanced budget, but the bottom line is, should we do it and, if so, what has to take place to require that the balanced budget be used in the Congress and be used for Federal spending.

Thank you, Mr. President. I yield back the remainder of my time.

The PRESIDING OFFICER. Under a previous order, the Senator from Utah [Mr. BENNETT] is recognized to speak for up to 15 minutes.

Mr. BENNETT. I thank the Chair.

(The remarks of Mr. BENNETT, Mr. BUMPERS, and Mr. JOHNSTON pertaining to the introduction of S. 309 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

The PRESIDING OFFICER. The Senator from Alaska.

Mr. MURKOWSKI. Mr. President, it is my understanding that I am to be recognized in morning business.

The PRESIDING OFFICER. Yes. Under a previous order, the Senator from Alaska is recognized to speak for up to 15 minutes.

MEXICAN PESO CRISIS

Mr. MURKOWSKI. Mr. President, oftentimes it is not appropriate to be critical of a proposal unless you have a better solution. But I rise today to speak on the action of the administration which was announced yesterday regarding Mexico. In the opinion of the Senator from Alaska, the administration simply did an end-run around Congress and the American people when it unveiled its latest financing package for bailing out foreign investors in Mexico.

There is no question the President has the legal authority under the exchange stabilization fund to provide the $20 billion in loans and loan guarantees to the Mexican Government. However, I am concerned that this establishes a dangerous precedent and represents a use of power by the administration that was, in my opinion, unwarranted. It should be noted that the potential of unilaterally using the emergency stabilization fund was not conveyed to many of the Members who were involved in working with the administration on the potential alternatives associated with this financial crisis.

In any event, it has been less than 6 weeks since the Mexican Government reversed its longstanding policy of maintaining a pegged value for the Mexican peso and devalued the peso by nearly 13 percent. This devaluation plunged the Mexican stock and currency markets into a panic and a crisis that resulted in the peso dropping by more than 30 percent in a matter of just a few days.

It was at that point that the Clinton administration came forward and offered, first, a $6 billion credit line to Mexico in an effort to stabilize the currency. By January 3, Treasury saw fit to extend this line of credit to $9 billion and there were some other governments that came in, and commercial banks, for another $9 billion. So there was approximately $18 billion available for stablizing the peso at that time. I include the $6 billion I previously mentioned.

When I made an inquiry to the administration about this taxpayer-financed $9 billion credit line, I was assured that the American taxpayer would not be at risk because the credit line was fully collateralized by Mexico.

Since January 3 we have seen the peso crisis not abate. It only got worse. The peso dropped 45 percent in barely 1 month. This led the administration to raise the specter of as much as a $40 billion credit line to stabilize the peso. And by yesterday, the size of the bailout had grown another 25 percent to nearly $50 billion, with at least $20 billion coming from U.S. participation.

The specifics of that participation, as indicated in a newspaper article, suggests that commercial banks will be in for $3 billion; Canada, $1 billion; Latin American countries, $1 billion; the Bank for International Settlements, $10 billion; the International Monetary Fund, $17.8 billion; and, as I have indicated, the United States Treasury, some $20 billion.

Why are we putting so much taxpayer money at risk? Who are we defending and who are we bailing out with this taxpayer-financed line of credit? And how did Mexico fall into the crisis?

Mr. President I would note that most of this debt is represented by bearer bonds. That means whoever holds them basically owns them. It is like owning a $100 bill. You can walk in and turn it into two 50's or five 20's. The significance of that is it is very difficult to identify who specifically holds those debt instruments.

What we have learned in the last month, however, is that this crisis has not just happened overnight. It has been building for a year or more. It was clearly foreseen by the United States and Mexican Governments. In fact, the New York Times recently reported that United States Treasury officials warned the Mexican Government as early as last summer the country's foreign debt had become dangerously high and that the peso was being maintained at an artificially high level.

But, for strictly internal political reasons, the Mexican Government chose to compound the crisis by continuing to print billions of pesos. As far as I know they were printing them yesterday. They may still be printing them today. Compounding the Mexican Government's mismanagement of its finances and its insatiable desire to maintain a strong peso and excessive foreign imports, the Government allowed its foreign currency reserves to drop from $29 billion in February to less than $7 billion in December.

Now Mexico faces the daunting prospect of having to deal with foreign debt redemptions that are listed at approximately $80 billion this year, $39 billion of which is in the public sector. The significance of that is that is debt that is falling due this year, not all at once this year, but it will have to be met or refinanced this year. It is very likely, when the guarantees are in force, the holders of these notes, these bearer notes, are going to immediately want to convert their pesos into dollars and increase rather than decrease the capital flight out of Mexico.

If you and I held bearer notes in this crisis, what would be the inducement to hang on if the guarantees were there and we knew we could be paid? A fiduciary responsibility would suggest the holder of those notes would run in, cash them in, and take his or her principal and leave the country. The only consideration that might keep them