

Mr. BENNETT. Mr. President, I ask unanimous consent that I be allowed to continue up to 10 minutes as if in morning business.

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

A DEFICIT DILEMMA

Mr. BENNETT. Mr. President, in this morning's Washington Post, there was a very interesting op-ed piece that I cannot refrain from commenting on. It is written by Terry Deibel, and it is entitled, "A Liberal Deficit Hawk's Dilemma."

Mr. Deibel describes himself as a liberal who believes in Government, believes that the Federal Government can and does do wonderful things, but that the Government should not "spend more money to do these things than it collects."

He then offers us this fascinating solution to our present dilemma from his position as a self-styled liberal deficit hawk. And I am quoting, Mr. President.

To be sure, a good deal of budget balancing could be done in a policy-neutral fashion. A simple freeze on outlays at current levels or a small across-the-board cut in everything—all spending, all entitlements, including Social Security—prolonged over several years of economic and revenue growth eventually would do the trick without any allocation decisions.

I was stunned when I read this. Here is a man who is a liberal, describes himself as a liberal deficit hawk who is proposing a program far more draconian than anything the Republicans have ever contemplated, a freeze, Mr. President, in all spending across the board, or even a small across-the-board cut in everything—entitlements, including Social Security.

No Republican has dared offer anything that drastic or that draconian. What this says to me, Mr. President, is that Mr. Deibel has fallen victim to the rhetoric of this Chamber and, if you will, of the White House. He has come to believe, as do many of my constituents, that the Republicans are calling for drastic cuts in everything, and he says let us solve the problem with a simple freeze.

Let me give you a few numbers, Mr. President. Total Medicare spending in 1995 was \$178 billion. If this proposal were put in place, that means years from now Medicare spending would be frozen at \$178 billion in contrast to the draconian Republican call for spending of \$301 billion in the year 2002. He is calling for a commonsense, neutral position that would freeze the budget at \$178 billion but, no, those stingy Republicans want to increase it from 178 to 301—a 69 percent increase.

I say to you, Mr. President, he, like too many people, has fallen victim to the rhetoric of this debate without looking at the facts.

On Medicaid—another area where we are being told the Republicans are calling for heartless slashes—this man, a

liberal, says, no, let us take care of Medicaid by simply freezing it at its present level. Its present level is \$83 billion. Under the Republican proposal, by the year 2002, it will reach \$143 billion, a 58-percent increase. But we are being pilloried for being heartless when common sense tells this man we can solve the problem if we just freeze it.

Again, he is a victim of the rhetoric. He does not realize, as, unfortunately, too many people do not realize, the Republicans are not saying let us slash these programs. The Republicans are saying the programs are legitimate, the programs need to grow, as the needs of our people need to grow, but let us let them grow at some kind of intelligent rate. But with the rhetoric, even a man of his knowledge and understanding—and he is identified in the Washington Post as chairman of the Department of National Security Policy at the National War College—even a man of his position and understanding has fallen victim to this rhetoric. I hope he will understand now that the freeze he is calling for as the logical solution is so much more draconian than what the Republicans have suggested that if we were to in fact embrace his proposal, we would be crucified—I think justly—by both the press and, of course, the members of the opposite party.

Now, I cannot conclude without referring to one specific that he talks about which is a further demonstration of the way the rhetoric has distorted the reality. He says:

It is quite possible, after all, to cut corporate welfare or end the great-western-lands-grazing-and-mining free-lunch program, for example, rather than cut poor people's welfare and the school lunch program.

Once again, if you listen to the rhetoric on this floor, you would think that the reason the budget is out of balance is because of the tremendous spending in the West on grazing and the reason we are heartless is because of our cuts in school lunches.

I participated in the filibuster that was mounted on this floor to prevent the Secretary of the Interior from implementing his increase in grazing fees, which we were told would be the way to make everything fair.

The total amount of money that would have come to the Federal Government if the Secretary of Interior had been successful in his effort to increase those grazing fees is \$19 million per year. That is million, "m" as in "minuscule," Mr. President, \$19 million. That is less than we spent to put the new subway between the Capitol and the Senate office buildings.

By comparison, his implication is you could pay for school lunches if only you did away with the grazing program in the Midwest. In 1995 we will spend \$7.9 billion on child nutrition, "b" as in "big." And in 7 years, under the draconian Republican budget, spending on child nutrition will increase to \$9.2 billion a year, a 16.4-percent increase.

I challenge anybody to try to pay for the present program, let alone the increased program, by doing something about a grazing plan in the United States that is currently, by the Secretary of the Interior's own analysis, costing the taxpayers \$19 million.

Before I leave that, however, because \$19 million is, after all, \$19 million, I would refer you to the study that demonstrated that had the Secretary's proposal gone through, instead of receiving \$19 million in additional revenue, in fact it would have driven enough marginal operators off the range that the actual income to the Federal Government would probably not only have been less than \$19 million, but in fact might have endangered the money that they were receiving from the present grazing fees. The revenues could have gone down rather than up.

I will not pursue this any further, Mr. President. I think this is an example of what is wrong with our political dialog. The Republicans are proposing increases, in many cases very substantial increases, in some of our most fundamental programs, and yet the rhetoric around it has been so extreme that even a man of Mr. Deibel's position and understanding thinks he can improve on the Republican's proposals by freezing everything at the present level.

If there was ever a demonstration of the excess and inaccuracy of the rhetoric of this debate, it is Mr. Deibel's op-ed piece in this morning's Washington Post.

I yield the floor.

Mr. MACK addressed the Chair.

The PRESIDING OFFICER (Mr. HELMS). The Senator from Florida.

Mr. MACK. Thank you, Mr. President.

THE BUDGET AND OUR COUNTRY'S FINANCIAL MARKETS

Mr. MACK. Mr. President, this past Friday I made some pretty strong comments with respect to President Clinton's—maybe it was Mr. Panetta's—proposal which we saw. There was great anticipation, if the President will recall, that last Friday there was going to be a new, serious proposal to balance the budget that President Clinton was going to bring to the table.

I felt, and I think expressed in pretty strong language, that it was a phony attempt. In fact, I thought it was an insult to the Congress, frankly, that the President would come forward with that proposal.

But something significant has happened since Friday. We may in fact have a new player in this budget debate. We may in fact have a new player to the debate which over the last 30 days or so has been between the White House, the President, on one hand and the Congress on the other. The third party who I think has now come to the debate is the financial markets of our country.

For those who have not been observing what has occurred today in the

stock markets and the bond markets, you may be surprised to learn that the stock market fell just over 100 points today. And interest rates begin to climb, the long-term bond went from just over 6 percent to about 6.2 percent. This is the first shot across the bow that the financial markets have fired, which I think are really directed at the President. The markets have had the opportunity over the weekend to analyze the President's proposal. And they have concluded that there really is no truth to the President's statement that he wants to balance the budget.

It has been 1 month or it will be 1 month tomorrow since the President signed the statute saying that "I will commit myself to balancing the budget over 7 years using real numbers." I concluded last Friday that he absolutely failed to do that; that, in fact, his proposal was an insult. There was absolutely no value to what he did last week except political.

Mr. President, I would claim that the markets have in fact reacted the same way. They analyzed the President's proposal over the weekend and they also concluded that it is a phony proposal. It will not get us to a balanced budget. In fact, it really pretty much leaves us where the Congressional Budget Office said we were prior to this last proposal put forward by the President; and that is, in the seventh year there would be a deficit of \$116 billion. I believe this is the fourth plan that the President has put forward, maybe the third. There have been so many different ideas the President has come up with to avoid offering a balanced budget proposal that I have forgotten which one this is. The President has just completely attempted to stay away from balancing the budget. He says he wants to do it, but when you look at the actions of the President of the United States he has failed.

So, Mr. President, again I think one thing that my colleagues in the Senate on the other side of the aisle ought to understand is that there is a new player now. And that is the financial markets of this country. And that should be no surprise.

On November 8, 1994, the day of the last election for the U.S. House of Representatives, the day the Republicans took control of both the House and the Senate, was the specific day that interest rates in this Nation peaked, at a little bit over 8 percent. Since November 8, 1994, those interest rates have been steadily coming down, down to the point of just barely above 6 percent.

We had some analysts from the Wall Street area come down to Washington several weeks ago when we got into a debate about just how strongly the Congress should position itself with respect to the debt ceiling and other means of leverage to try and get the President to move to a balanced budget. And during that discussion I remember one of the analysts commenting that if there is a failure to

balance the budget, if no agreement is reached, the markets will crash.

I also recognize that my friend, the Speaker of the House, made reference to that point, and was chastised, I believe, for using harsh rhetoric. Some said the Speaker of the House should not use that kind of language.

I must say to you that when I heard the analyst make this comment with respect a crash, I think most of us have this tendency to think of what occurred in 1929 as being the definition of a market crash. So I asked them what did they mean, to them what would be a crash in the market? Their response was that interest rates would go back up, about 2 points, and we would probably see the stock market fall somewhere between 200 and 300 points, if I recall.

The interesting thing, again, is that in 1 day we have seen a decline of 100 points in the stock market. And I believe that that has occurred because of the President's failure to come forward with a balanced budget alternative and the markets are beginning to get nervous about whether we will make it or not.

Moreover, I also think the President's failure to submit a serious budget may affect the Federal Reserve Board. The Federal Reserve Board will be making the decision tomorrow about what to do about interest rates. I suspect that they were extremely disappointed in the President's proposal as well, and the markets are concluding that since the President is not serious about balancing the budget that it would be a mistake for them tomorrow to lower interest rates any further. That is a decision they will have to make, but I think that is a fair scenario to place on the table.

So, again, the reaction that we have seen in the last day with respect to the President's proposal has already had an effect on the stock market and the bond market, and I am suggesting another impact very well could be on the decision by the Federal Reserve tomorrow.

I talked to those financial experts about the benefits of balancing the budget. I talked to them about the importance of bringing down interest rates, and during those same meetings, they told us the interest rate probably could come down even further; that if we were to come to an agreement over balancing the budget, we could see long-term interest rates in this country decline to the 5½ range.

I must say to you, Mr. President, having been a former banker, I can remember making those first loans on a single piece of paper—but that is another story of what has happened to our country as a result of the bureaucracy and the redtape which has been created. It was on a single piece of paper, and the interest rate was at 6 percent. I must say to you that over the years I had lost hope that we would see long-term interest rates return to a level of below 6 percent. But, frankly, I

believe that this is within our grasp today.

If the President were serious about coming forward and giving us at least his alternative—we are not telling him he has to agree with ours, but at least put his alternative on the table telling us how he would balance the budget in 7 years with CBO numbers—then we could sit down and negotiate. If he would do that and we could reach an agreement, and I believe that we would see long-term interest rates come down to the 5½ and 5¼ range.

What does that mean? To the families of America, to those young families who are trying to get a start, let me tell you something, there is a big, big difference in obtaining a mortgage at 5¼ percent versus 8¼ percent. It not only will affect the mortgage payments that they will make, it will affect the cost of the automobile loan, it will affect and reduce the cost of a student loan. There are lots of things that the average American is going to feel as a result of what happens with interest rates.

The shot today which the markets have fired is basically one that said, if you don't come to an agreement, the reduction of interest rates you have seen in this last year are going to disappear and the rates are going to go back up and America's future will not be as bright.

The other day on the floor of the Senate, I said, and I am going to repeat it again today, that the President ought to come forward with his alternative. He made the commitment to do that almost 30 days ago. It was in legislation that he signed. It was negotiated by representatives from his White House. I am going to say it once again, but I am going to read it to make sure I am very clear: This President has proven once again that his commitment to principle is nonexistent. He gave his word. He broke his word. It is a habit he does not seem able to break.

Mr. President, I yield the floor.

Mr. GRASSLEY addressed the Chair. The PRESIDING OFFICER. The Senator from Iowa.

THE PRESIDENT SIGNED AN AGREEMENT WITH CONGRESS

Mr. GRASSLEY. Mr. President, first of all, I thank the Senator from Florida for a very clear-cut statement about why we are where we are and how we can get out of it. Basically, it is the President of the United States doing what he said he would do.

We are where we are today, Mr. President, because on November 20, the President signed an agreement with Congress. This is the wording of that agreement:

The President and the Congress shall enact legislation in the first session of the 104th Congress to achieve a balanced budget not later than fiscal year 2002 as estimated by the Congressional Budget Office * * *

We have said several times that the President himself on November 20