enough savings. No, none on social security; off-budget again.

Reality No. 3: Hold the line budget on Defense—no savings.

Reality No. 4: Savings must come from freezes, cuts in domestic discretionary—not enough to stop hemorrhaging interest costs.

Reality No. 5: Taxes necessary to stop hemorrhage in interest costs.

	1996	1997	1998	1999	2000	2001	2002
Deficit CBO Jan. 1995 (using trust funds)	207	224	225	253	284	297	322
Freeze discretionary outlays after 1998	0	0	0	−19	−38	−58	−78
Spending cuts	−37	−74	−111	−128	−146	−163	−180
Interest savings	−1	−5	−11	−20	−32	−46	−64
Total savings ($1.2 trillion)	−38	−79	−122	−167	−216	−267	−322
Remaining deficit using trust funds	169	145	103	86	68	30	0
Remaining deficit excluding trust funds	287	264	222	202	185	149	121
5 percent VAT	96	155	172	184	190	196	200
Net deficit excluding trust funds	187	97	27	(17)	(54)	(111)	(159)
Gross debt	5,142	5,257	5,300	5,305	5,272	5,200	5,091
Average interest rate on the debt (percent)	7.0	7.1	6.9	6.8	6.7	6.7	6.7
Interest cost on the debt	367	370	368	368	366	360	354

Note.—Does not include billions necessary for middle class tax cut.

Here is a list of the kinds of nondefense discretionary spending cuts that would be necessary now as a first step to get $37 billion of savings and put the country on the road to a balanced budget:

Nondefense discretionary spending cuts	1996	1997
Cut space station	2.1	2.1
Eliminate CDBG	2.0	2.0
Eliminate low-income home energy assistance	1.4	1.5
Eliminate arts funding	1.0	1.0
Eliminate funding for campus based aid	1.4	1.4
Eliminate funding for impact aid	1.0	1.0
Reduce law enforcement funding to control drugs	1.5	1.8
Eliminate Federal wastewater grants	0.8	1.6
Eliminate SBA loans	0.21	0.282
Reduce Federal aid for mass transit	0.5	1.0
Eliminate EDA	0.02	0.1
Reduce Federal rent subsidies	0.1	0.2
Reduce overhead for university research	0.2	0.3
Repeal Davis-Bacon	0.2	0.5
Reduce State Dept. funding and end misc. activities	0.1	0.2
End P.L. 480 title I and III sales	0.4	0.6
Eliminate overseas broadcasting	0.458	0.570
Eliminate the Bureau of Mines	0.1	0.2
Eliminate expansion of rural housing assistance	0.1	0.2
Eliminate USTTA	0.012	0.16
Eliminate ATP	0.1	0.2
Eliminate airport grant in aids	0.3	1.0
Eliminate Federal highway demonstration projects	0.1	0.3
Eliminate Amtrak subsidies	0.4	0.4
Eliminate RDA loan guarantees	0.0	0.1
Eliminate Appalachian Regional Commission	0.0	0.1
Eliminate untargeted funds for math and science	0.1	0.2
Cut Federal salaries by 4 percent	4.0	4.0
Charge Federal employees commercial rates for parking	0.1	0.1
Reduce agricultural research extension activities	0.2	0.2
Cancel advanced solid rocket motor	0.3	0.4
Eliminate legal services	0.4	0.4
Reduce Federal travel by 30 percent	0.4	0.4
Reduce energy funding for Energy Technology Develop	0.2	0.5
Reduce Superfund cleanup costs	0.2	0.4
Reduce REA subsidies	0.1	0.1
Eliminate postal subsidies for nonprofits	0.1	0.1
Reduce NIH funding	0.5	1.1
Eliminate Federal Crop Insurance Program	0.3	0.3
Reduce Justice State-local assistance grants	0.1	0.2
Reduce Export-Import direct loans	0.1	0.2
Eliminate library programs	0.1	0.1
Modify Service Contract Act	0.2	0.2
Eliminate HUD special purpose grants	0.2	0.3
Reduce housing programs	0.4	1.0
Eliminate Community Investment Program	0.1	0.4
Reduce Strategic Petroleum Program	0.1	0.1
Eliminate Senior Community Service Program	0.1	0.4
Reduce USDA spending for export marketing	0.02	0.02
Reduce maternal and child health grants	0.2	0.4
Close veterans hospitals	0.1	0.2
Reduce number of political employees	0.1	0.1
Reduce management costs for VA health care	0.2	0.4
Reduce PMA subsidy	0.0	1.2
Reduce below cost timber sales	0.0	0.1
Reduce the legislative branch 15 percent	0.3	0.3
Eliminate Small Business Development Centers	0.056	0.074
Eliminate minority assistance, score, Small Business Institute and other technical assistance programs, women's business assistance, international trade assistance, empowerment zones	0.033	0.046

Nondefense discretionary spending cuts	1996	1997
Eliminate new State Department construction projects	0.010	0.023
Eliminate Int'l Boundaries and Water Commission	0.013	0.02
Eliminate Asia Foundation	0.013	0.015
Eliminate International Fisheries Commission	0.015	0.015
Eliminate Arms Control Disarmament Agency	0.041	0.054
Eliminate NED	0.014	0.034
Eliminate Fulbright and other international exchanges	0.119	0.207
Eliminate North-South Center	0.002	0.004
Eliminate U.S. contribution to WHO, OAS, and other international organizations including the U.N.	0.873	0.873
Eliminate participation in U.N. peacekeeping	0.533	0.533
Eliminate Byrne grant	0.112	0.306
Eliminate Community Policing Program	0.286	0.780
Moratorium on new Federal prison construction	0.028	0.140
Reduce Coast Guard 10 percent	0.208	0.260
Eliminate Manufacturing Extension Program	0.03	0.06
Eliminate Coastal Zone Management	0.03	0.06
Eliminate National Marine Sanctuaries	0.007	0.012
Eliminate climate and global change research	0.047	0.078
Eliminate national sea grant	0.032	0.054
Eliminate state weather modification grant	0.002	0.003
Cut Weather Service operations 10 percent	0.031	0.051
Eliminate regional climate centers	0.002	0.003
Eliminate Minority Business Development Agency	0.022	0.044
Eliminate public telecommunications facilities, program grant	0.003	0.016
Eliminate children's educational television	0.0	0.002
Eliminate National Information Infrastructure grant	0.001	0.032
Cut Pell grants 20 percent	0.250	1.24
Eliminate education research	0.042	0.283
Cut Head Start 50 percent	0.840	1.8
Eliminate meals and services for the elderly	0.335	0.473
Eliminate title II social service block grant	2.7	2.8
Eliminate community services block grant	0.317	0.470
Eliminate rehabilitation services	1.85	2.30
Eliminate vocational education	0.176	1.2
Reduce chapter 1, 20 percent	0.173	1.16
Reduce special education, 20 percent	0.072	0.480
Eliminate bilingual education	0.029	0.196
Eliminate JTPA	0.250	4.5
Eliminate child welfare services	0.240	0.289
Eliminate CDC Breast Cancer Program	0.048	0.089
Eliminate CDC AIDS Control Program	0.283	0.525
Eliminate Ryan White AIDS Program	0.228	0.468
Eliminate maternal and child health	0.246	0.506
Eliminate Family Planning Program	0.069	0.143
Eliminate CDC Immunization Program	0.168	0.345
Eliminate Tuberculosis Program	0.042	0.087
Eliminate Agricultural Research Service	0.546	0.656
Reduce WIC, 50 percent	1.579	1.735
Eliminate TEFAP—Administrative	0.024	0.040
Commodities	0.025	0.025
Reduce Cooperative State Research Service 20 percent	0.044	0.070
Reduce Animal Plant Health Inspection Service 10 percent	0.036	0.044
Reduce Food Safety Inspection Service 10 percent	0.047	0.052
Total	36.941	58.402

Note.—Figures are in billions of dollars.

Mr. HOLLINGS. Mr. President, I ask the Senator from Utah to come forward, or any Senator to come forward with a 1-year budget that puts us on a glide path to zero. Earlier today, Republicans were berating Dr. Rivlin, the Director of the Office of Management and Budget for her lack of budget cuts in the President's 1996 budget. But back on December 18, when they were feeling real bullish, Mr. KASICH, the distinguished chairman of the House Budget Committee now, said: ''In January we will really spell this out. In January I am going to bring to the floor a revised budget resolution.'' Further down he says: ''We will provide spending savings. You already have outlined them. In the menu list we already have two or three budgets.''

They did not care about President Clinton or what the Director of the Office of Management and Budget was even thinking about. And then he continues:

> When that is done * * * at the same time we are going to move on the glidepath to zero * * * We will take the savings by cutting spending first and we are going to put them in the bank so nobody across the country, nobody on Main Street, no one on Wall Street is going to think we are going to do is we're going to give out the goodies without cutting government first.

So I look in the bank, in the lock box. And there is one thing I find, Mr. President. I have the lock box that the chairman of the Budget Committee referred to. But the only thing it contains so far are a pile of Social Security IOU's.

Mr. President, let us do like Madison admonished, let us begin to control ourselves. We can begin.

As President Reagan said: If not us, who? If not now, when?

I yield the floor.

Several Senators addressed the Chair.

Mr. D'AMATO. Mr. President, I know my distinguished colleague, the senior Senator from New York, is waiting to speak. I think he is going to yield me up to 10 minutes?

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I know my distinguished friend, the chairman of the Committee on Banking and Urban Affairs, has an important statement he wishes to make. I know it is not directly on our subject, but I know it is important. I want to hear him. I am sure the Senate will as well.

I am happy to yield my place to him at this point.

The PRESIDING OFFICER. The Senator from New York has the floor.

MEXICO

Mr. D'AMATO. Mr. President, last week, the President of the United States went around the will of the people to bail out a mismanaged Mexican Government and global currency speculators. That was wrong.

I am outraged that American taxpayers are being forced to do something they did not want to do. The President went around the people knowing that Congress would not approve a $40 billion bailout of Mexico.

Never before has a president used $20 billion from our exchange stabilization fund to bail out a foreign country. The ESF is not the President's personal piggy bank. This fund is supposed to be used to stabilize the dollar, not the peso. The President was wrong, and I am outraged.

The President has used scare tactics to justify going around Congress to bail out Mexico. The President claimed that world stock markets would crash and floods of illegal immigrants would cross our borders. The President was wrong, and I am outraged.

As former FDIC Chairman Bill Seidman testified last week, Mexico's credit crunch can be solved by letting the market work. Mexico and its creditors should be forced to renegotiate its debt. That's the capitalist way. Investors in Mexico might get 50 or 60 or even 70 cents on the dollar. That is fair. Investors in Mexico took a gamble. If they wanted a United States-guaranteed investment, they should have put their money into a 6-percent C.D., not a 20-percent Mexican pesobono.

The President has given in to economic blackmail. Will American taxpayers have to send Mexico $40 billion next time to protect our borders from illegal immigration? I am outraged that the President has used our exchange stabilization fund to pay blackmail to Mexico.

The President has set a terrible precedent. What happens next time the peso collapses? What happens when some other country's currency collapses? The American taxpayer cannot afford to be the world's banker. We cannot afford to bail out global currency speculators every time a foreign currency collapses.

The President should not be sending $20 billion to Mexico when Congress must cut United States domestic programs to put our own economic house in order. The Governor of my home State has to cut $5 billion from the state budget. We should send $20 billion to New York or Florida or California or other States that are in need before we send it to Mexico.

Make no mistake about it. Two years from now. Five years from now. I predict that this bailout will go down as one of the President's biggest blunders.

I predict that this bailout will not work. It is a quick fix and will come back to haunt American taxpayers. They will wind up paying.

Let us look at the facts.

Mexican political bosses got into this mess to win the August 1994 election. They printed pesos at an outrageous rate. They created the illusion that the Mexican economy was still thriving, and then they devalued the peso. That was wrong. It hurt poor and middle-class Mexicans. We should not bail out mismanaged foreign governments.

The President's plan will not force Mexico's ruling party to make needed economic or political reforms. Once our money is shipped to Mexico, we will have no leverage.

Let us look at some of the promises Mexico has made for the $20 billion of American taxpayers' money—promises Mexico cannot keep.

Mexico has promised to keep inflation low. But they cannot do that. The peso's devaluation has set off 20 to 30 percent inflation, and the Mexican Government will have to keep printing pesos to prevent more unrest in Chiapas.

Mexico has promised to cut spending and to maintain a budget surplus. But that is impossible. Mexico must pay sky-high interest on more than $160 billion in debt and faces a recession.

Mr. President, let me ask the question. If we cannot balance our budget here, here we are promising $20 billion to Mexico, not a loan guarantee. We are going to give it to them. We say as one of the conditions we expect you to have a budget surplus. I ask, is that realistic? We cannot balance a budget here. We are not saying Mexico is going to have a budget surplus. That is ridiculous. It is ludicrous. And no one could promise you that would take place.

Mexico has promised to raise $12 to $14 billion through privatizations. But who is going to invest in Mexico now? How are they going to bring about privatization?

I am outraged that the President's bailout of Mexico will leave American taxpayers holding the bag. Now, when we have to make painful cuts in the Federal budget, is not the time to be risking American taxpayers' money.

The administration assumes that Mexico will pay off its debt. But Mexico could not pay back United States banks in 1982.

The President claims that assured sources of repayment exist. But if assured sources of repayment really existed, banks and private investors would provide money to support Mexico's debt.

The President has not obtained real collateral. Mexico has already pledged its oil reserves as collateral for its existing debt.

The President relies solely on a security mechanism involving the New York Fed. But this security mechanism is a mirage. It goes into effect only after a default. Mexico can sell oil only to customers who do not pay through the New York Fed.

When Congress provided $1.5 billion in loan guarantees to New York City and Chrysler, Congress demanded much more collateral. I am shocked and outraged that the President has not demanded more collateral from Mexico for $20 billion.

What will the President do if Mexico refuses to pay us back? Will the President send in the 82d Airborne to seize the oilfields? Of course not. It is preposterous. Will he try to raise U.S. taxes to replenish our exchange stabilization fund?

The President's bailout will not win us friends south of the border. Already the Mexican people resent the fact that we are making those moneys available on conditions that they speak about. Most Mexicans oppose the $40 billion bailout.

The administration says that it was taken totally by surprise when Mexico set off this crisis by devaluating the peso on December 20. But the signs of serious trouble in Mexico were present months ago. Congress must determine what the administration knew about Mexico and when.

The New York Times, January 24, 1995, reports that the CIA advised the administration in July 1994—6 months before the peso's devaluation in December—that Mexico's ruling party was borrowing and spending at a furious pace.

We have an obligation to investigate whether the administration's inaction or silence caused this crisis. We must find out if the administration advised Mexico to devaluate the peso. Devaluation was a terrible mistake. We all admit that now. But who was there and when? What advice did this administration give, if any, to the Mexican Government?

On January 26, Senators DOLE, LOTT, MACK, and ABRAHAM asked for documents concerning the administration's advice to Mexico on currency devaluation. Twelve days later, we still have not received this critical documents.

Why have we not received these documents? When will we get them? What is the administration hiding? The American people have a right to know.

The Banking Committee will hold oversight hearings on the administration's use of the ESF to bail out Mexico.

Senator MACK and I will introduce a sense-of-the-Senate resolution that the Treasury should, in conjunction with the minority reports required by the ESF statute, provide the Banking Committee with monthly information on: First, economic conditions in Mexico, and second, how Mexico is spending the $20 billion.

American taxpayers have the right to know whether their money is being wasted in Mexico. They have the right to know if the Mexican Central Bank has slowed the peso printing press. They have a right to know if Mexico has stopped spending and balanced its budget.

We must hold the administration's feet to the fire. We must blow the whistle if the administration does not make Mexico live up to its commitments—to stop the peso press, to balance its budget and to privatize. We must fight for middle-class American taxpayers, not for mismanaged foreign governments and global currency speculators.

Thank you, Mr. President. I yield the floor.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER (Mr. THOMPSON). The Senator from Massachusetts.

Mr. KENNEDY. I thank the Chair.

(The remarks of Mr. KENNEDY pertaining to the introduction of S. 376 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

BALANCED BUDGET AMENDMENT TO THE CONSTITUTION

The Senate continued with the consideration of the joint resolution.

Mr. HATCH. Mr. President, opponents of the balanced budget amendment have raised the specter that the balanced budget amendment may somehow endanger Social Security. This simply is wrong.

First, the balanced budget amendment does not write any particular mix of spending cuts or tax increases into the Constitution. It merely forces Congress to come up with a plan to balance the budget by a date certain and to continue to balance the budget yearly in the future.

Why do we need to do that? Because if you look at the Balanced Budget Amendment Debt Tracker—this chart right here—just look at what has happened during these 10 days we have been on the amendment. We have gone from $4.8 trillion of national debt with an increase the first day of $829 million and each day thereafter right up to where we are now up to $8,294,400,000 additional debt from when we started on day 10. While we are debating this amendment, the debt is going up almost $1 billion a day.

(Ms. SNOWE assumed the chair)

Mr. HATCH. Madam President, I have to tell you if we keep doing that, Social Security is going to be very, very badly harmed.

I have always maintained that I would personally oppose Social Security benefit cuts. I believe we have made an obligation to our retirees that we must keep.

What the balanced budget amendment does is to force Congress to choose between spending options constrained by the amount of available funds. This means Congress will have to set priorities in a way it does not now do. I have no doubt that Social Security is well protected in today's political world and would compete well against all other spending.

But the balanced budget amendment does not require any particular cuts. Suggestions that it would result in Social Security cuts are simply scare tactics by those who wish to defeat the balanced budget amendment by any means.

Second, those worried about the security of the Social Security trust fund should support the balanced budget amendment. Robert J. Myers, who has worked in many capacities for the Social Security Administration for nearly four decades, including Chief Actuary and Deputy Commissioner said, "the most serious threat to Social Security is the government's fiscal irresponsibility." Mr. Myers suggests our current profligacy will result either in the Government raiding the trust fund or printing money, either of which will reduce the real value of the trust funds.

The real threat to Social Security, our mounting national debt, is the problem we have to face. Although the trust fund is running a surplus now, it will not for long. Under current projections, the trust fund will grow until the year 2019, at which point it will begin to deplete its savings. At that point the fund begins living on the principal and interest built on past principal. In the year 2029, the trust fund will be completely insolvent, having used up all capital and interest earned. At that point Social Security will worsen the national deficit picture substantially and seniors will either have to receive benefits from increased payroll taxes or from general Treasury funds, or simply go without. If Congress continues to borrow at current rates, it is not clear how able it would be able to borrow or tax enough more to cover Social Security deficits.

Furthermore, seniors or others living on fixed incomes would be hardest hit if the predictions of many noted economists result from our huge national debt. If the country should ever decide to monetize the debt, that is, simply print more money to cover its interest payments, the resulting inflation would hit hardest those living on fixed incomes. The Federal Reserve Board would probably avoid that, but if we should ever go down that path, seniors would bear a large part of that burden. If inflation returns in any other form because of our debt burden, seniors would again be hit very hard.

Third, the money in Social Security trust funds is invested in Government bonds. What this means is the trust fund is simply full of IOU's from Congress's increasing debt. In other words, the Government is using Social Security taxes to fund our growing deficits, and leaving the IOU's in the trust fund. The trust fund reserves are in large degree only a claim on the general Treasury funds, with no capital backing up that claim. If the country ever gets to the point of defaulting on its debts, the Social Security trust fund would be one of the hardest hit.

The country will not be able to pay off that stack of paper that builds up every day and every month as we borrow from the trust funds to pay for the daily running of Government programs. For this reason alone Social Security recipients, both current and future, and those who are concerned about them, should strongly support this balanced budget amendment—the only opportunity we have, and frankly the only real opportunity in history to really do something about these budgetary deficits that are running us into bankruptcy.

We must get our entire fiscal house in order and keep it that way for seniors, for their children, and for their grandchildren.

Mr. President, I would now like to address the exemption proposed by the Senator from Nevada. As politically attractive as this exemption amendment may be—I am talking about the Reid amendment—it will harm, rather than help, senior citizens and thwart the balanced budget amendment. So I urge its defeat for five reasons.

First, the Constitution is not the place to set budget priorities. A constitutional amendment should be timeless and reflect a broad consensus, not make narrow policy decisions. We should not place technical language or insert statutory programs into the Constitution and undercut the simplicity and universality of the amendment.

Second, exempting Social Security would open up a loophole in the amendment, which could avoid the purpose of the amendment or endanger Social Security. What do I mean by that? Congress could pass legislation to fund any number of programs off-budget through the Social Security trust fund. The budget could be balanced simply by shifting enough programs into the Social Security trust fund. Moreover, if this amendment succeeded in exempting Social Security from the balanced budget rule, as the trust funds begin running deficits, as they are projected to do, there would be no requirement that the trust fund remain solvent and no incentive to make it solvent. Under a balanced budget requirement, however, the trust funds would be protected because the Government would be required to have enough revenues to meet its obligations, including those who rely on the trust funds.

Third, exempting Social Security would tempt Congress and the President to take irresponsible actions that threaten the integrity of Social Security. If Social Security is off-budget, Congress would be tempted to slash Social Security taxes to trade off other taxes hikes or shift the cost of other programs into the Social Security Program to avoid a three-fifths vote to unbalance the budget. Exempting the Social Security trust fund would create an incentive for Congress to use the trust fund as an instrument of countercyclical stimulus or social policy or other uses other than as a retirement program, threatening the ability of the trust fund to fulfill its obligations to retirees.

Fourth, Exempting Social Security from the amendment is unnecessary because it preserves the ability of Congress to protect Social Security, which is politically well-protected.

Does anybody doubt that Social Security would compete with any and all other Federal programs? I do not think anybody doubts that.

The current statutory protections for Social Security would not be eliminated by the amendment. Congress would be able to further protect Social Security in implementing legislation. Given political realities, Congress almost certainly would choose to protect Social Security.

The fifth reason why we should not go this route is that the concerns underlying this exemption are misplaced. The motivation for exemptions like this is to ensure that Social Security benefits will not be cut. This concern is misplaced for two reasons. First, passage of the balanced budget amendment does not in any way mean Social Security benefits will be reduced. It only requires Congress to choose among competing programs, and Social Security will compete very well. Second, the biggest threat to Social Security is our growing debt and concomitant interest payments, both because the effects of debt-related inflation hurt those on fixed incomes and because the Government's use of capital to fund debt slows productivity and income growth. They way to protect Social Security benefits is to support the balanced budget amendment and balance the budget so that the economy will grow, thereby fostering growth in Social Security tax revenues, and by requiring that the government have revenues to meet its obligations, including obligations to retirees.

For these reasons I urge the amendment be defeated.

Mr. MOYNIHAN. Mr. President, on Monday I spoke to the Senate at some length describing the economic policies of the Kennedy, Johnson, and Nixon administrations which were directed to the problems associated with persistent budget surpluses. It will no doubt surprise many persons now proposing to amend the Constitution so as to deal with the problem of persistent budget deficits to learn that only a few decades ago our tendencies appeared to be just the opposite of those of the last decade or so.

On Monday, I spoke to the long tradition that democracies were inherently disposed to vote themselves largess, a majority would abuse its responsibilities in one way or the other. But, in fact, two centuries of the American experience has not produced that, save for this particular time. It happened that, this morning, our hugely gifted Secretary of the Treasury, Mr. Robert Rubin, came before the Finance Committee with the President's budget and he showed the effect of the deficit reduction program which we put in place in this floor in moments of high drama in July, 1993, when we provided $500 billion in deficit reductions which, in turn, brought about a lowering of the deficit premium that had been riding on top of interest rates, such that in the end we had a cumulative effect of about $625 billion in deficit reduction.

That effect could be shown right here. This is Secretary Rubin's chart. It says, ''Spending on Government programs is less than taxes for the first time since the 1960's.'' A large event.

Now, when he says spending on Government programs, that is all Government programs excepting payment on the debt, which is not a program but a requirement.

With that provision, in 1994 to 1995, we will have a budget surplus of a little less than 1 percent, six-tenths of 1 percent, but a surplus for the period.

Now, that is in blue, as the distinguished Presiding Officer can see, as are these two blue bars over on the left side of the chart, which is the surplus of 1962 to 1965 under Presidents Kennedy and Johnson; 1966 to 1969, and that is President Johnson; and there was a slight surplus and then a slight deficit in the period 1970 to 1973 under President Nixon.

Our Government then ran surpluses, which its principal financial officer considered to be a major problem to the economy, that being an obstacle to full employment, which, under the Employment Act of 1946, was to be the largest economic goal of the country.

On Monday, I cited the Office of Management and Budget's explanation of the budget for fiscal 1973. This was written by George P. Schultz, then director of the newly established OMB, George Shultz, who was later a most eminent Secretary of the Treasury and Secretary of State. He stated as such:

> Budget policy. The full-employment budget concept is central to the budget policy of this Administration. Except in emergency conditions, expenditures should not exceed the level at which the budget would be balanced under conditions of full employment.

Which is to say he had built a deficit into the budget which was the difference between outlays and that would equal revenues at full employment and the actual revenues which came in from less than full employment. We were coping with surpluses, a lag in the revenues that come into the Government in the upward slope of the business cycle, and our disposition to spend, if you will, those revenues here in the Congress.

And once again this surplus in revenues as against programs has appeared. It comes miraculously, if you will, but not accidentally. That seems an oxymoron. But I do now know how many really believe that what we did in 1993 would have this result. But it has done, and there it is.

And my purpose in all this has been plain enough. I make the point that there is nothing inherent in American democracy that suggests we amend our basic and abiding law to deal with the fugitive tendencies of a given moment.

These are the tendencies, Mr. President. And, again, by sheer happenstance, I prepared these remarks to be given this afternoon. This morning the Secretary of the Treasury presented us this chart which shows us these tendencies. Right here goes the deficit of the period from the late 1970's to the early 1990's.

I rise today to provide documentation as to how a series of one-time events of the 1980's led to our present fiscal disorders even as events in the 1990's point to a way out of them; and, again, to state I prepared these remarks before I saw this chart. And, indeed, there you see that emergent surplus.

On January 26, at the request of Chairman BOB PACKWOOD, the Congressional Budget Office, in the person of Director Robert D. Reischauer, presented the Finance Committee with data comparing current economic forecast and budget projections with those made by CBO before the enactment of the Economic Recovery Tax Act of 1981, ERTA as it is generally known. Here is Dr. Reischauer's testimony.

> Unlike the current ''Economic and Budget Outlook'', CBO's budget reports issued before enactment of the 1981 tax cuts routinely projected that a continuation of current tax and spending laws would lead to large budget surpluses. CBO also warned that such levels of taxes and spending would act as a drag on the economy.

Mr. President, that is a direct continuation, that view, of the view that went from Walter Heller, as chairman of the Council of Economic Advisers in 1961 under President Kennedy, to Arthur Okun, as chairman under President Johnson, to Herbert Stein, as chairman under President Nixon, and budget directors such as Kermit Gordon and George Shultz. They saw the problems of the American Government very much in terms of persisting surpluses that depressed economic growth.

I continue Dr. Reischauer's testimony:

> The primary reason for those projections was that high inflation was expected to drive up revenues dramatically. Because key features of the Federal individual income tax were not automatically adjusted for inflation, periods of high inflation—such as the late 1970s and early 1980s—pushed individuals into higher tax rate brackets and caused revenues to increase rapidly. In response, policymakers cut taxes every few years on an ad hoc basis—five times in the 1970s, for instance.

Again, to try to reach back to a period which we seem to have forgot—and, in fairness, probably no more than a fifth of the Members of the House right now and somewhat more of the Senate were here in the 1970's who could remember that—but we cut taxes five times in the 1970's just to keep the surplus from growing too large.

Note the continuity of the problems faced by our analysts at the outset of the 1980's with those faced at the outset of the 1960's. The Federal Government was running an unacceptable surplus; a sure remedy was to cut taxes. Dr. Reischauer continued:

Illustrating this dilemma, in its February 1980 report Five-Year Budget Projections: Fiscal Years 1981–1985, CBO projected that revenues collected under current tax law would climb from about 21 percent of GNP in 1981 to 24 percent by 1985. Simple arithmetic pointed to enormous surpluses in the outyears. For example, current-law revenues exceeded outlays by a projected $98 billion for 1984 and $178 billion for 1985. Similarly, in its July 1981 report Baseline Budget Projections: Fiscal Years 1982–1986, CBO projected budget surpluses of between $148 billion and $209 billion for 1986, depending on the economic assumptions used.

In the same report, CBO estimated that the 1981 tax cuts and other policies that were called for in May 1981 budget resolution would generate a balanced budget or a small deficit, roughly $50 billion by 1984—again, depending on the economic assumptions employed.

That budget background led to the 1981 tax cuts. Given the best information available at that time, the Congress and the Administration reasonably thought that significant budget surpluses loomed under current law. Analysts differed, however, on whether the 1981 tax cuts would put the government on a balanced-budget footing or would lead to small budget deficits.

The Economic Recovery Tax Act of 1981 passed the Senate by an overwhelming 67-to-8 vote. I voted for it with the same measure of confidence that had led me to support earlier tax cuts. This was a familiar situation; well enough understood.

So I and others thought. We were ruinously wrong. At a hearing of the Finance Committee on January 31, Dale Jorgenson, professor of economics at Harvard University, called the 1981 tax cut a fiscal disaster because the Federal Government stopped raising the revenue it needed.

In an instant, deficits, not surpluses, because our problem.

For certain, two things happened—beyond the bidding war that accompanied the enactment of ERTA, with Democratic Members of Congress seeking to outdo the new Republican administration. The first is the action of the Federal Reserve designed to bring down the double-digit inflation of the late 1970's. In a not unfamiliar sequence, the Fed brought down the economy with it. A deep, deep recession commenced. In 1982, the unemployment rate reached 9.7 percent, the highest rate recorded since the Employment Act of 1946. Revenues fell off precipitously, largely the result of recession, but more steeply owing to the 1981 rate cut.

Now to a second, and to my view, more important event. Beginning in the 1970's a body of opinion developed, principally within the Republican Party, which held that Government at the Federal level had become so large as to be unacceptably intrusive, even oppressive. There is a continuity here. All those years trying to spend down surpluses had indeed brought about a great increase in the size of Government. Of a sudden, deficits, if sizeable enough, gained a new utility. They could be used to reduce the size of Government.

This was a powerful idea. Indeed, in July 1980, I contributed an article to the New York Times which argued that, the Republicans had become the party of ideas and thus that ''could be the onset of the transformation of American politics.'' I argued:

Not by chance, but by dint of sustained and often complex argument there is a movement to turn Republicans into Populists, a party of the People arrayed against a Democratic party of the State.

This is the clue to the across-the-board Republican tax-cut proposal now being offered more or less daily in the Senate by Dole of Kansas, Armstrong of Colorado and their increasingly confident cohorts.

* * * * *

The Republicans' dominant idea, at least for the moment, seems to be that the social controls of modern government have become tyrannical or, at the very least, exorbitantly expensive. This oppression—so the strategic analysis goes—is made possible by taxation, such that cutting taxes becomes an objective in its own right, business cycles notwithstanding.

Similarly, ''supply-side'' economics speaks to the people as producers, as against the Government as consumer.

Within the Republican Party this is put forth as populism and argued for as such * * *. Asked by a commentator whether an across-the-board tax could rally lead to the needed increase in savings, a Republican Senator replied that he took for granted that the people would know what to do with their own money.

Then came the revolution.

Some 4 months after I wrote that article, a new Republican President was elected, himself much committed to this view, and his White House staff fair to obsessed with it. They welcomed deficits for reasons wholly at odds with their Democratic, or for that matter, Republican predecessors.

From the early 1980's, I found myself often on this Senate floor, and on several occasions in print, making the point that in the Reagan White House and Office of Management and Budget, a huge gamble was being made. A crisis was being created by bringing about deficits intended to force the Congress to cut back certain programs.

I encountered great difficulty getting this idea across. No one believed what I was saying. The intentional nature of the Reagan deficits was not understood or admitted at the time, nor has it been very widely acknowledged since. Yet it did happen, and it has been well documented.

In a television speech 16 days after his inauguration, President Reagan clearly stated it:

There were always those who told us that taxes couldn't be cut until spending was reduced. Well, you know we can lecture our children about extravagance until we run out of voice and breath. Or we can cut their extravagance by simply reducing their allowance.

The person principally involved, Mr. David Stockman, who was President Reagan's Director of the Office of Management and Budget, wrote a memoir of his time in Washington entitled, ''The Triumph of Politics.'' He described in detail what happened and how it went wrong: how the Reagan Revolution—as based on the immutability of the Laffer curve—had failed. According to Stockman, President Reagan's top economic advisers knew from the very beginning that supply-side economics would not and could not work.

That superb journalist and historian, Haynes Johnson, wrote of this in his wonderful book, ''Sleepwalking Through History: America Through the Reagan Years,'' published in 1991. Johnson writes that the Reagan team saw:

* * * the implicit failure of supply-side theory as an opportunity, not a problem * * *. [The] secret solution was to let the federal budget deficits rise, thus leaving Congress no alternative but to cut domestic programs.

I will simply quote a footnote on page 111, where Johnson says of this Senator:

[Stockman's] former mentor Moynihan was the first to charge that the Reagan Administration ''consciously and deliberately brought about'' higher deficits to force congressional domestic cuts. Moynihan was denounced and then proven correct, except that the cuts to achieve balanced budgets were never made and the deficits ballooned even higher.

David Stockman writes in his book, ''If I had to pinpoint the moment when I ceased to believe that the Reagan Revolution was possible, September 11, 1981 * * * would be it.'' It was then that Stockman realized that no huge spending cuts would ever come. He pleaded with the President and his colleagues in the Cabinet to do something. But nothing was done. The President had claimed he would use his pen to veto big spending appropriations bills. But of the reality, Stockman wrote:

* * * the President's pen remained in his pocket. He did not veto a single appropriations bill * * *. Come to think of it, he did use his pen—to sign them * * *. The 1983 deficit had * * * already come in at $208 billion. The case for a major tax increase was overwhelming, unassailable, inescapable, and self-evident. Not to raise taxes when all other avenues were closed was a willful act of ignorance and grotesque irresponsibility. In the entire twentieth-century fiscal history of the Nation, there has been nothing to rival it.

And so, President Reagan became the biggest spender of them all.

By the mid-1980's the Reagan transportation budget in constant dollars topped Jimmy Carter's best year by 15 percent, Johnson's by about 40 percent, and Kennedy's by 50 percent. Big Government? That was something for the speechwriters to fight as long as they didn't mention any names * * *. Spending continued largely unabated in all cases.

I recall George Will speaking to a group of businessmen at breakfast in about 1984 and saying, ''I have a door prize of a toaster for anyone who can name one program that President Reagan promised to cut during his 1984

Presidential campaign.'' Everyone in the room started looking around at his or her neighbor, clearly wondering, ''Why can't I remember one?'' Whereupon Mr. Will came to their rescue, ''Don't feel bad about your memory. There was none.''

They created a crisis. We indulged ourselves, in the early 1980's, in a fantasy of young men who perhaps had too much power and too little experience in the real world. They thought they could play with fire, create a crisis. Well, the fire spread, and the numbers—the damages—are well known to all of us. On January 20, 1981, the Federal debt stood at $940.5 billion, which was no great cause for concern. Eight years later, it was $2.86 trillion. What had taken our Nation nearly two centuries to amass had been tripled in just 8 years. By the end of 1992, it was just over $4 trillion.

On December 31, 1983, I published an article in the New Republic entitled, ''Reagan's Bankrupt Budget,'' in which I noted, ''The projected 8-year growth is $1.64 trillion, bringing us to a total debt, by 1989, of $2.58 trillion.'' As it turned out, the total debt in 1989 was $2.86 trillion. Not bad shooting. Four years later it was a little over $4 trillion.

I have spoken of two events of the 1980's. First, the tax cuts of 1981 followed by the severe recession of 1982. Next, the development within the incumbent administration of a grand strategy of using deficits to bring about a reduction in the size of Government, followed by a disinclination to cut specific programs. Mr. Stockman's memoirs provide graphic examples of this latter development, including the celebrated counsel he gave the President on how much to cut them. Let me in passing mention a possible third event which led in part to the great increase in debt during the 1980's. This was recently alluded to by Lawrence J. Korb in an article in the Washington Post. Mr. Korb, now at the Brookings Institution, contends that ''the Reagan buildup'' of the military was part of a deliberate strategy of engaging the Soviet Union in an arms race that would leave them bankrupt. The buildup, Mr. Korb continues:

> * * * was based not on military need but upon a strategy of bankrupting the Soviet Union. If the Reagan administration had budgeted only for military purposes, the 1985 budget would have been some $80 billion less. The 1995 defense budget is still at about 85 percent of its average Cold War level, and actually higher [even in inflation adjusted dollars] than it was in 1955 [under Eisenhower] and in 1975 [under Nixon], when the Soviet Empire and Soviet Union were alive and well.

It is difficult to have been in Washington in those times and not to have been aware of such thinking in the environs of the White House. For the first 4 years of the Reagan administration, I was vice chairman of the Senate Select Committee on Intelligence, and one heard such thoughts. By this time, I was convinced that the Soviet Union would soon break up along ethnic lines and largely in consequence of ethnic conflict, and so was perhaps more attentive than some. Certainly, Raymond L. Garthoff, in his study, ''The Great Transition, American-Soviet Relations and the End of the Cold War'' [Brookings, 1994] holds to the view that something of this sort took place.

He writes:

> A final element in President Reagan's personal view was that not only was the Soviet system ideologically bankrupt and therefore vulnerable, but that it was also stretched to the utmost by Soviet military efforts and therefore unable to compete in an intensified arms race. As he put it in a talk with some editors, ''They cannot vastly increase their military productivity because they've already got their people on a starvation diet . . . if we show them [we have] the will and determination to go forward with a military buildup . . . they then have to weigh, do they want to meet us realistically on a program of disarmament or do they want to face a legitimate arms race in which we're racing. But up until now, we've been making unilateral concessions, allowing ours to deteriorate, and they've been building the greatest military machine the world has ever seen. But now they're going to be faced with [the fact] that we could go forward with an arms race and they can't keep up.'' The Soviet system was indeed under growing strain, as would become increasingly evident throughout the 1980s. But most of the premises underlying Reagan's viewpoint were highly questionable: that the United States had not also been active in the arms competition and had been making unilateral concessions, that the Soviet Union was unable to match adequately a further American buildup, and that the Soviet Union would respond to such a buildup by accepting disarmament proposals that the United States would regard as ''realistic'' (that is, would favor the United States more than the SALT II Treaty that had been produced under the strategic arms limitations talks [SALT] conducted by the three preceding administrations but not ratified). But whatever their merit, they represented the thinking of the new president and his administration.

Just how much this thinking deepened the deficits of the 1980's is difficult to assess. It is now more a matter for historians. But it can hardly have helped. And so we come to a compound irony. The great struggles over the nature of the American economic system that dated from the Progressive Era to the New Deal ended in a quiet acceptance of the private enterprise economy so long as government could pursue policies that produced relatively full employment. Hardly a revolutionary notion, but surely an honorable undertaking. Even so, for the first time, it disposed American government toward deficit financing. Nothing huge; nothing unmanageable; but real.

In 1965, in the first article in the first issue of The Public Interest entitled, ''The Professionalization of Reform,'' I set forth the now somewhat embarrassing proposition that Keynesian economics in combination with the statistical feats such as those of the National Bureau of Economic Research, founded by Wesley C. Mitchell at Columbia University, invested us with unimagined powers for social good. I was not entirely wrong.

> Governments promise full employment—and then produce it. (in 1964 unemployment, adjusted to conform more or less to United States' definitions, was 2.9 percent in Italy, 2.5 percent in France and Britain, and 0.4 percent in Germany. Consider the contrast with post-World War I.) Governments undertake to expand their economy at a steady rate—and do so. (In 1961 the members of the Organization for Economic Cooperation and Development, which grew out of the Marshall Plan, undertook to increase their output by 50 percent during the decade of the 1960's. The United States at all events is right on schedule.)
>
> The ability to predict events, as against controlling them, has developed even more impressively—the Council of Economic Advisers' forecast of GNP for 1964 was off by only $400 million in a total of $623 billion; the unemployment forecast was on the nose.

And yet I did not entirely see—did not at all see—the serpent lurking in that lovely garden.

> The singular nature of the new situation in which the Federal government finds itself is that the immediate supply of resources available for social purposes might actually outrun the immediate demand of established programs. Federal expenditures under existing programs rise at a fairly predictable rate. But, under conditions of economic growth, revenues rise faster. This has given birth to the phenomenon of the ''fiscal drag''—the idea that unless the Federal Government disposes of this annual increment, either by cutting taxes or adding programs, the money taken out of circulation by taxes will slow down economic growth, and could, of course, at a certain point stop it altogether.

Which is to say, deficit spending as public policy. How that would have troubled FDR. On election night of 1936, he was at Hyde Park surrounded by friends and overwhelmed by the electoral returns. The New Deal was triumphant. And so, as Alan Brinkley notes in his forthcoming study, ''The End of Reform: New Deal Liberalism in Recession and War,'' a few days later, boarding a train to return to Washington, he told well-wishers, ''Now I'm going back * * * to do what they call balance the budget and fulfill the first promise of the campaign,'' which in 1932 had been to balance the budget.

In much this manner, the great struggle with the Marxist-Leninist vision of the future, and its concrete embodiment in the Soviet Union, ended with the most assertively conservative administration of the post-New Deal, assertively opposed to deficit spending of any kind, more or less clandestinely pursuing just the opposite course.

And yet, may we not agree that both these tendencies are now abated, if not altogether spent? A post-Keynesian economics is no longer as confident of fiscal policy as was an earlier generation. A post-cold-war foreign policy has no need to concern itself with bankrupting the Soviet Union: the region is quite bankrupt enough, and indeed, receives American aid. Can we not then look upon our present debt much as the Truman and Eisenhower administrations looked upon the debt incurred