

days later now tell us that their plan really includes reducing Federal revenues by \$188 billion reminds me a little of watching ponies at the circus, all gussied up, prancing around in a circle, never going anyplace, just showing off.

The question is, Are you going to balance the budget or not? You do not balance the budget by cutting this Nation's revenues and increasing one of the largest accounts, defense spending. That is not an arithmetic that I learned in a high school class of nine. There might be a new math out there someplace that comes with these new Republicans who have arrived in Washington, but if it is a new math, I do not think it adds up.

At least from my standpoint, I say to the Contract With America and those who wrote it, I say to the President, I say to others who believe there ought to be a tax cut, you are wrong. Our job is simple. Our job is to cut Federal spending and use the savings to cut the Federal budget deficit. That is our job. It is not our job to be weather vanes, spinning to the latest moment of public passion and deciding it is popular now to be talking about tax cuts. It is our job now to be talking about spending cuts and reducing the budget deficit and putting us on a path towards balancing this Federal budget.

So again I say the proof is not in what people say, but it is in what people do. Those who now come trudging along with a proposal for a massive tax cut, much of which will go to the wealthiest of Americans, do no service to this country in the search for a balanced budget. I, for one, believe our job is clear. It is not to cut taxes, it is to cut spending and use the savings to cut the budget deficit. The sooner we do that in a serious way, the better this country's future will be.

#### SOCIAL SECURITY TRUST FUND

Mr. DORGAN. Mr. President, I would like to speak this morning about one other issue. In this morning's newspaper, a columnist named Krauthammer wrote a column. It was entitled "Social Security 'Trust Fund' Whopper." His column was one of the most Byzantine pieces of journalism that I have seen in some long while, and I have seen a few in my public career.

It demonstrates to me that you can be an awfully good writer without knowing anything about math or accounting. In fact, when I read this column this morning by Mr. Krauthammer, it occurred to me this is a candidate for O.J. Simpson's defense team. Facts and evidence seem irrelevant.

Let me go through just a bit of this column and talk about some of the conclusions.

Mr. Krauthammer's contention is that the Social Security trust fund is a "fiction." He says, it is a pay-as-you-go system and he says there, incorrectly, by the way, we are accumulating surpluses in the trust fund today so that

"with so many boomers working today" that "produces a cash surplus."

Mr. Krauthammer, I think, pulled away from the research table a little too soon; at least his research comes up a little short. The surplus this year in the Social Security trust fund is not because we have so many boomers working and they produce a cash surplus, it is for a very specific reason. Mr. Krauthammer would know it had he researched it or remembered it.

In 1983, we passed a Social Security reform bill and in that bill made a specific, conscious decision to increase the FICA tax, in order to produce revenues that exceeded expenditures during this period and leading up through about the year 2019. We did that deliberately because we knew we were going to need those revenues later.

This is not a surplus that is an accident as a result of more people working. That is not what it is about. This is a deliberate strategy, and he could determine that by simply going back and reading the 1983 Social Security Reform Act. I, incidentally, helped write that. I was on the Ways and Means Committee at the time, so I would know something about that.

I would tell him, in future columns, he might want to remember, it is not an accident. It is not how many people are working versus how many retired. This was a deliberate strategy embarked on in 1983 to accumulate a deliberate pool of national savings in order to meet a need after the baby boomers retire.

Mr. Krauthammer says the Social Security trust fund is a fiction. Well, the money that is collected from the paychecks of workers and from those who employ them in this country is deposited in a trust fund that invests them in Government securities. The trust fund is in the same position as a young boy who just received as a birthday gift a \$100 U.S. savings bond. Both possess assets, redeemable by the Federal Government. So the proposition that the trust fund is a "fiction," as Mr. Krauthammer suggests, demonstrates, in my judgment, a profound lack of knowledge.

Perhaps the best way to demonstrate the bankruptcy of this argument by Mr. Krauthammer would be to use the year 2002, just focus on one year, 2002, when my friends who proposed the balanced budget amendment say the budget would be in balance.

Let us take a look at that year only. According to the Congressional Budget Office, in the year 2002, we will in that one year alone raise \$111 billion more in Social Security receipts than we need in spending. That surplus, as I have said before, is part of a long-term plan to save for the period when we are going to need the extra money.

Now, under the constitutional amendment that was offered, in the year 2002, the operating budget of the United States would show a zero balance. But, of course, in order to show the zero balance the \$111 billion surplus

in the Social Security trust fund account would have to be used to get there. Without using the Social Security surplus for that year, the operating budget deficit would not be zero, would not be in balance, but would in fact show a deficit of \$111 billion.

The legislative promise that was made in 1983 was that that \$111 billion would be saved in a trust fund to be used later. But, of course, if it is used to reduce the operating budget deficit, there is then no forced pool of national savings with which to fund the baby boomers' retirement later.

Now, I would say if Mr. Krauthammer's view, and for other proponents I would say, if their view of double-entry bookkeeping is that you can use the same money twice, then I understand the rationale for his column this morning, and I understand the rationale for their argument. It is, of course, a fraud, but it is still a column or it is still an argument. If, however, he, like most people, understands you can only use money once, it is either here or it is there. It is not both here and there. Then the balanced budget achieved by the constitutional amendment in the year 2002 was not in balance at all. It was \$111 billion in deficit.

To me at least that looks like Washington as usual. It looks like Washington the way it always works, I guess an environment which Mr. Krauthammer is part of and comfortable with. But it is still, nonetheless, not honest budgeting.

Let me use an example probably closer to home. Let us assume a columnist makes speeches and gets speaking fees, big speaking fees, and uses a portion of those speaking fees to put them in a 401(k) to save for later in life.

Now, let us assume that after putting money away in a 401(k) from speaking fees, that person goes on a spending binge and spends more than their current income, and simply takes the money out of the 401(k) to cover the extra spending that occurred. And I suppose that person could say, well, I spent no more than I had; I spent all my income plus all my savings.

It is true they spent no more than they had, but it is also true they depleted their savings; they have no 401(k); it is gone. And that is the point.

That is the point about the year 2002. And that demonstrates it is not honest budgeting if you promise to save in a trust fund and use it to balance the rest of the budget. That is the point Mr. Krauthammer misses, and it is the point others miss.

I feel a bit strongly about this, as my colleagues understand, because I helped write the 1983 Social Security Reform Act when I was a member of the Ways and Means Committee. I would not have ever supported or cast a vote for that kind of proposition if someone had said to me, "let us increase payroll taxes, let us tell the American workers that those moneys will go into a trust fund, let us use that

trust fund—which comes from a regressive tax—and instead balance the Federal budget deficit.” I guarantee you that would not have gotten two votes in the Senate or the House. No one, I mean no one, here would have had the bad judgment to decide to substantially increase a payroll tax, promise it will be put in a trust fund, and then claim later that it is used to reduce the Federal budget deficit. But that is exactly what has happened in the past. It is exactly what would have been enshrined in a requirement in the constitutional amendment in the future.

I regret that people like Mr. Krauthammer write articles with such a profound lack of understanding about the facts. They have every right to do that. But the fact is we have every right to challenge those who write as carelessly as he did.

Mr. President, we have a challenge, all of us, to start doing instead of talking. We offered yesterday a proposal for a new budget process. It said let us do this. If we believe, and I do, that we can balance the budget by the year 2002 without using Social Security trust funds, and we should, then let us decide on a budget procedure that brings a point of order, a 60-vote majority to overcome, against any budget that comes to this floor without a 7-year plan to get to a balanced budget by the year 2002. Let us see if people are willing to bite into this problem with real teeth. Let us decide soon whether this is a lot of talk or whether this is honest concern by people involved who are willing to do some heavy lifting.

At least in the last 24 hours, the news that the same people who were trumpeting the constitutional amendment for the balanced budget are now off deciding that what they want to do is have a very big tax cut, much of the benefits to go to the wealthiest Americans, does not seem to me that they are very serious about reaching a balanced budget in this country's future. I for one think a tax cut proposal in the midst of the kind of deficits and debt we have makes no sense at all. It is the ultimate in political posturing and the ultimate, in my judgment, failure to be willing to come to grips honestly with the serious problem this country faces.

At least speaking for myself, and I hope for others, we should not have a debate anymore about who wants balanced budgets. I do. I am willing to join in any group, in any way, on any day, in a bipartisan way to take tough medicine, to cut Federal spending in the right way, and to move this country toward a balanced budget. That ought to be the obligation of all of us working together in the months ahead.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. SIMON. Mr. President, I ask unanimous consent to proceed as if in morning business.

The PRESIDING OFFICER. The Senate is in morning business.

Mr. SIMON. I thank the Chair. Parliamentary inquiry. When are we scheduled to return to—I believe the pending amendment is the Kassebaum amendment on the emergency supplemental?

The PRESIDING OFFICER. At 11:30.

Mr. SIMON. At 11:30.

#### BALANCED BUDGET AMENDMENT

Mr. SIMON. Mr. President, let me say first that I agree with three-fourths of what my colleague from North Dakota has just said. First, I think it makes absolutely no sense to be talking about a tax cut now. I think it is just absolutely irrational. It politically makes sense but it does not make sense any other way. And so I agree with him.

Let me point out one other area where we can save money and do a great deal of good for the people in our country. That is if we pass a minimum wage bill. If we pass a minimum wage bill, we will spend less money on food stamps; we will spend less money on welfare. That is very practical. I do not know the precise numbers, but I saw one figure yesterday that we will save approximately \$1.8 billion a year if we pass a minimum wage bill, in terms of a Federal budget. I do not know how thoroughly documented that is.

Where I differ slightly from my colleague from North Dakota—I agree with him that we ought to be moving away from reliance on the Social Security trust fund in balancing the budget, and we came very close to an agreement on that—where I do differ is that it seems to me that the Krauthammer column is correct in saying the great threat to Social Security is the debt. Because if we do not change our policies, we will end up monetizing the debt, printing money, devaluing our currency. We are already seeing some of that. I want to comment on that in just a moment. We are already seeing some of that, just in the days since we failed to pass the balanced budget amendment last Thursday.

I am a cosponsor of the bill to move, by legislation, toward a balanced budget by the year 2002. There are two problems with that. I hope it can have some impact. I, frankly, do not think ultimately it is going to work, because as soon as the squeeze gets on we simply change the law. That is the reality. There is a second problem with it. Assuming that it works. And that is interest by the financial markets is composed of two things. One is they want to have a margin of profit. That is always going to be there. The second thing the financial markets do is they put into interest, a hedge against inflation. So every study, CBO, Data Resources, Inc., Wharton—all of them say if we pass a balanced budget amendment interest rates will go down. We have seen what has happened to interest rates since a week ago Thursday. We did not pass the balanced budget amendment.

There will be no similar confidence in the financial markets by any statutory change that we make. So we will be paying a premium on interest for our failure to pass a constitutional amendment. We will spend hundreds of billions of dollars, in my opinion—and no one knows this precisely—unnecessarily on interest because of our failure to pass a balanced budget amendment.

Data Resources, Inc., one of the two most prominent econometric forecasters in the Nation, predicts that, by the year 2002, if we pass it, the prime rate will drop 2.5 percent. Wharton says 4 percent. But Data Resources, 2.5 percent. They say half the savings that we must get can come from interest savings. That is a very significant savings.

Finally—and this is not in relation to the comment of my colleague from North Dakota, but to what has happened—I notice the international publications are very clear in pointing to our failure to pass the balanced budget amendment. Some of the domestic publications are, too, though there is much more focus on Mexico as a reason for the fall of the dollar. The reality is, if we had our fiscal house in order, what we have done by guaranteeing \$20 billion in loans to Mexico would be just a blip on the horizon. A \$20 billion loan guarantee for a country with a \$6 trillion economy is not that significant an item. But when you compound it with our failure to pass a balanced budget amendment, then you have a problem.

I would like to quote a few items here, if I can find them. Yesterday's Los Angeles Times lead story, “Greenspan Asserts Deficit Sank Dollar. Fed chief says defeat of balanced-budget amendment sent wrong signal to global markets. He says Washington must cut deficit to ease pressure on greenback.”

Then let me read the lead story by James Risen.

Federal Reserve Board Chairman Alan Greenspan on Wednesday blamed last week's Senate defeat of the balanced-budget amendment for the sudden plunge in the value of the dollar and pointedly warned Congress that the currency will remain under pressure until Washington tackles the deficit.

There are a number of stories along the same line. I am not going to bother reading all of them at this point.

The point is, it is easy for us here to point to Mexico and say that is the cause of our problem. The reality of the cause of our problem is right here in the U.S. Senate, and we have to face up to that reality. The longer we postpone facing up to that reality, the greater the jeopardy we put the dollar in and all the ramifications that will have on the standard of living of our people.

I hope we will face up to reality.

Mr. President, since I do not believe anyone else seeks the floor right now, let me glance through a few of these things here. Here is the Financial Post, from Great Britain, “The Current U.S.