

The stock market is not something I profess to understand. But when it drops precipitously, I start saying, well, what could possibly be the reason? I think most people would say they are worried now, that this is troublesome news.

It is described as a recess. But is it really a recess or is it the beginning of the end of the budget negotiations? And they are beginning to say, well, after weeks, months of believing and acting on the assumption that we were going to get a balanced budget agreement, and in fact tax cuts for individuals that deserve it—it is, after all, the people's money that we are talking about allowing them to keep.

The idea now that these talks have taken at least a break is troublesome. They are worried that we will not get these commitments agreed to that we worked on all year long. So I think we should be very conscious of that. I hope we will see a return to the negotiations, that the President will move toward the majority's position in Congress.

I think we have been very responsible in the positions we have taken. In fact, we have offered not one, not two, not three, but four budgets in effect, three since the one that passed the Congress. So there has been a significant shift to try to get the job done, but to do it in such a way that a bipartisan Congress could support it.

I hope that they will get back together and there will be additional improvements in trying to control the Washington growth that we are battling against. And failing in that, certainly we will look to the appropriation process to keep the Government operating, but to control spending as much as we can through that process.

THE PRESIDENT'S VETO OF THE WELFARE REFORM BILL

Mr. LOTT. I want to say also in closing, Mr. President, that I, too, am very much concerned that the President vetoed the welfare reform package. After talking a great deal about how we were going to end welfare as we have known it, we have, in fact, not done it. He did veto the bill last night. There has been suggestions that there are major problems with this bill. But the Congress did add back some \$10 billion from where the House position was to try to get a bill that the President could sign. It does have genuine reform.

There is complaint in effect from the minority leader that we are giving States more authority. That has been one of our goals, to give more flexibility to the States. As a matter of fact, States have been getting waivers to have this flexibility.

So we need to get work back into welfare. We need genuine welfare reform. The President has vetoed this bill. I think it is a big mistake. But I think it is incumbent upon Congress that we immediately get back together to try to come up with a welfare re-

form that in fact saves money, that does not spend more money, and that does retain the work requirements that we have been committed to throughout the year.

I believe my time has expired. I yield the floor at this time, Mr. President.

Mr. FORD addressed the Chair.

The PRESIDING OFFICER. The minority whip is recognized.

THE PRESIDENT'S VETO OF THE WELFARE REFORM BILL

Mr. FORD. Mr. President, I agree with my friend from Mississippi that the recess probably will be important where we can, as the President said, take a deep breath, step back, and look at where we are.

Mr. President, we talk about the veto by the President of the United States of the welfare reform bill. Well, I think the Democratic leader said very emphatically today that the 25-percent maintenance level where the Senate had voted 80 percent maintenance level by the State was an important factor that was changed.

The President said when we passed the bill on welfare reform in the Senate that he would sign that bill. Well, I have been around here a few years and usually when you cannot get together and you find something that can be signed and you are not too far apart, then I think we can come back to the table and work it out.

Instead of putting all the blame on one place—the Democrats in the House, the Democrats in the Senate, the Republicans in the Senate, are all in favor of one item; and we wind up that there is a group in the House that will not let us move forward. So I think that becomes the stumbling block.

Even in the House an amendment was put on one of the bills where you were sending the block grants back to the States that none of this money could be used by the States to build roads. That gives you some idea. I happened to have been a Governor when we got an avalanche of money. President Nixon pigeonholed the money after we overrode his veto. Then they went to court, and the court released 2 years of appropriations. We were the beneficiary of that.

I understand Federal money coming into States. I understand the matching money. I understand what the States can or cannot do. I also understand the pressure on a Governor in a State by his constituents and what they would like to have him do.

We talk about big interstate highways. We call it, down in the States, get-to-it roads. The interstates are fine, but if you cannot get to it, then you cannot ride on it. So they want us to build get-to-it roads. And so therefore there will be pressure to use this money to build get-to-it roads.

THE PRESIDENT AND THE DEMOCRATS WANT A BALANCED BUDGET

Mr. FORD. Mr. President, let me just make two points. I think we have maybe a couple minutes left. Two points. One, for the last 3 years the deficit, under President Clinton, has been reduced by 50 percent. There will be fewer Federal employees, 272,000 under that proposal that was passed and signed in 1993. And today, we have about 200,000 fewer employees than there were 3 years ago.

There is no question to what the President and the Democrats have agreed to, that we want a balanced budget and, two, that it would be in 7 years and, three, it would be certified by CBO.

The President has laid two budgets on the table, one, balance the budget in 7 years, as certified by CBO. Last evening, the second was put on the table to balance the budget, approved by CBO. The only difference here now is whether we give a huge tax cut or not.

My friend from Mississippi says that they have cut it to a \$177 billion tax cut. My figures are, when you put it together, that it is \$203 billion they are still holding on to and clinging to, which would be the tax cut they want to put in. If you look at the coalition in the House, they do not want to give any tax cut. It is zero. We hear a lot about the Blue Dogs in the House. Their tax cut is zero. The bipartisan group's over here is somewhat higher. But there is \$87 billion that the President has agreed to in tax cuts and \$203 billion that the Republicans want in tax cuts. We feel like this is not the time to give the huge tax cuts, and that we ought to try to be compassionate and take care of the elderly. We do not need to cut Medicare or increase the premium on part B of Medicare. We do not need to increase the deductible on part B in order to give the tax break.

Mr. President, the budget is not balanced under the Republican balanced budget because if you look on page three of the reconciliation bill, it is \$108.4 billion of money used from Social Security. I put into the RECORD last week two things—one statutory and the other in the law—relating to Social Security. You cannot use that money other than what it is collected for.

So we have a lot to work on. But the work is only between \$87 billion and \$203 billion, and where you cut more or less and who gets the tax break. The hour of 1:50 has arrived.

I yield the floor.

Mr. LOTT. Mr. President, we have no further requests for time. All time has expired under the agreement. We have some unanimous-consent requests, and I believe the majority leader may want to come to the floor and do that.

At this point, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. BURNS). Without objection, it is so ordered.

Mr. DOMENICI. Mr. President, are we under any parliamentary rules?

The PRESIDING OFFICER. We are in morning business. The order was that Senators may speak up to 5 minutes each.

Mr. DOMENICI. I ask unanimous consent that I be permitted to speak for 10 minutes.

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

THE BUDGET NEGOTIATIONS

Mr. DOMENICI. Mr. President, might I first indicate that my purpose in the next 10 or 15 minutes is to tell my colleagues, and to the extent possible the American public that might be watching, where I see things in this recessed budget discussion. I want to be very frank. I am disappointed and somewhat let down that we have not come to an agreement. I do not fault anyone for dedicating time and effort. In many respects, the time and effort spent in the White House is probably rather historic. I am not disappointed that that effort has taken place and that the President, Vice President, the leaders, Republican and Democratic, of the Congress, have indeed spent a great deal of time, effort, and energy in what I presume and must state, at least as I view it, to be a serious effort to try to get the American people what they so desperately want, and that is a balanced budget in 7 years, which is real, using Congressional Budget Office economics.

So it is an understatement to say that I am disappointed, but I also do not know if we will be able to reach an agreement with the administration. I choose to try very hard to state it as best I can from what I know.

It is quite possible, on the other hand, that working with congressional Democrats from both the House and the Senate that we could come to a proposal that would make fundamental reforms to Federal entitlement programs, make fundamental changes to Federal programs, redirect many of the programs out of Washington back to the States, and get a balanced budget in 7 years using the Congressional Budget Office estimates and economics. Maybe then the President and his administration would take more seriously the proposals we have worked so hard for over 1 year to reduce to a document called the balanced budget No. 1, which the President vetoed not so long ago.

I would like to make it very clear, yes, the President finally submitted a budget scored by the Congressional Budget Office before the blizzard began last Saturday night that mathematically got to balance. But even some of the President's own people have admitted that that budget was designed to

meet the requirement of the continuing resolution, the targeted resolution, the continuing resolution to put all of Government back to work and which had as a condition of its effectiveness that the President submit for the very first time a balanced budget using the Congressional Budget Office figures.

Let me repeat. That 1996 blizzard budget that the President submitted, many believe was given to the American people and to us so as to comply with the technical requirements, and that it was not the kind of budget the President could have expected we would accept. Even some of the President's people have stated that it was designed to give us the requirements of that continuing resolution to reopen Government on Monday.

The Washington Post criticized that blizzard budget as "paper balance." Mr. President, I ask unanimous consent the Washington Post's editorial, a rather lengthy one, styled "Paper Balance," be printed in the RECORD.

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

[From the Washington Post, Jan. 9, 1996]

PAPER BALANCE

The balanced budget plan that President Clinton submitted Saturday night would achieve all kinds of things, but a balanced budget is likely not among them. In submitting a plan that on paper would balance the budget in seven years using Congressional Budget Office economic and other assumptions, the president met the condition set by congressional Republicans for reopening the government. He may have helped to move along the budget talks as well, and the plan would largely protect the major forms of federal assistance to the poor, an important goal.

That's the good news. The bad is that to get to balance while achieving a string of other policy goals the plan relies on gimmicks that almost no one believes would survive and produce the deficit reduction claimed for them. It's true that some of the same or similar gimmicks can also be found in the Republican proposal to balance the budget. No doubt the fact that they're gaming the issue in similar ways is a comfort to both sides. It ought not comfort anyone else.

1. The president persists in giving a tax cut. His is smaller and better targeted than the one the Republicans propose. It nonetheless is more revenue than a government looking at deficits approaching \$1 trillion a presidential term should forgo. To get to the promised balance by the year 2002 despite the tax cut, the president then pretends that the cut will be allowed to lapse in the year 2000, and no matter that that year, like this, happens to be an election year. Once the cut lapses, even if only on paper, there isn't any revenue loss to record—not for now, anyway. For now, you tell the voters they can have it all—yes to a tax cut, yes to a balanced budget but no to spending cuts in programs they like. It will be up to someone else to tell them later—always someone else and later—that the math can't be made to come out that way.

2. Half the spending cuts in the president's plan would be achieved by imposing tight caps on the part of the budget subject to the annual appropriations process. It's a wonderful way to cut spending, because once again the hard decisions are deferred. You don't have to say which programs or which constituencies you expect to bear the burden; that will be up to the appropriators to decide

as they apportion the available funds year by year. For now, you just get a free vote in favor of economy in the abstract. The vote is all the easier because, in the president's plan as in the Republicans', the caps are backloaded. Sixty percent of the cuts would be deferred until the last two of the seven years, after the turn of the century.

Assume that almost all the cuts would occur in domestic appropriations as distinct from the military budget, which the president has said he thinks should remain pretty much on the current path. In real terms, this domestic total—the operating budget for the entire domestic side of government—would have to be cut about a third to stay beneath the cap in the seventh year. Hardly anyone, least of all anyone in the administration, thinks a cut of that magnitude is possible without doing enormous damage to government services. The president makes the math even more implausible by saying he intends to protect the chunks of the budget having to do with education, the environment and such that he particularly supports. That means he would have to cut the balance all the more. What will it be? Housing programs? Veterans programs? Highway grants? The space program? You wait in vain for the answer.

3. A lot of economists think that if the budget is balanced, interest rates will ease, and that the lower rates will stimulate greater economic growth. The government would then reap a double dividend. Its own considerable interest costs would go down and tax revenues, up. Call it a reward for good behavior. The Republicans claimed the reward and folded it into their budget estimates in advance. The administration is doing the same thing on perhaps an even weaker basis.

The Republican budget contains its own illusions. The tax cuts the Republicans propose are heavily backloaded. They were carefully designed to keep their full effect from being felt until after the seven years for which, under the rules, the budget estimates were made. From just the seventh year through the 10th, the likely revenue loss from their enactment would increase by 75 percent. You balance the budget in the seventh year, then begin to unbalance it all over again unless deeper spending cuts are made.

If the goal is to balance the budget, there ought not be a tax cut. Not the modest one proposed by the president, and surely not the Republican gusher, either. If the further goal is to achieve a durable balance or near enough without inflicting an undue burden on the poor, you have to go after the major programs that benefit the middle class, in particular the two great forms of aid to the elderly that dominate the budget, Medicare and Social Security. The Republicans proposed a restructuring of Medicare this year, a mix of some good ideas and some bad, for both of which they are being made to pay at the polls. The Democrats have positioned themselves as protector of the program, and never mind the pressure it puts on the rest of the budget and other programs they also seek to protect. Neither party wants to cut, or to be the first to propose cutting, Social Security, even by limiting the cost-of-living increases in benefits for a number of years.

As a partial alternative to going after these programs, the president has now proposed cutting some of the tax breaks that go under the label corporate welfare. But it isn't clear how hard he will push for those in what is likely to be an inhospitable Congress; he hasn't pushed much in the past.