China working to spread the gospel, and then last night I received what I believe to be an unprecedented letter from the Reverend Billy Graham, and I am going to ask unanimous consent to have it included in the RECORD and I will have copies of it here for my colleagues on the House floor.

Mr. Speaker, in this letter he says, ''I am in favor of doing all we can to strengthen our relationship with China and its people. China is rapidly becoming one of the dominant economic and political powers in the world and I believe it is far better for us to keep China as a friend than to treat it as an adversary.''

This is a very potent message. While the Reverend Graham does not want to get involved in the MFN debate, he makes his position very, very clear about the need to maintain engagement. I urge my colleagues to oppose the resolution of disapproval when it comes up next week.

Montreat, NC, June 19, 1997.

Hon. DAVID DREIER,
Congress of the United States, House of Representatives, Washington, DC.

DEAR CONGRESSMAN DREIER, Thank you for the telephone calls concerning the People's Republic of China that you have made recently to both me and my son, Ned, who heads a ministry which works closely with the churches of China. Ned and I have discussed the issue and felt that it was important enough for me to write directly to you. Like you, I have great respect for China's long and rich heritage, and I am grateful for the opportunities I have had to visit that great country. It has been a privilege to get to know many of its leaders and also to become familiar with the actual situation of religious believers in the P.R.C.

The current debate about renewing China's ''Most Favored Nation'' trading status no doubt raises many complex and difficult questions, and it is not my intention to become involved in the political aspects of this issue. However, I am in favor of doing all we can to strengthen our relationship with China and its people. China is rapidly becoming one of the dominant economic and political powers in the world, and I believe it is far better for us to keep China as a friend than to treat it as an adversary. Furthermore, in my experience, nations respond to friendship just as much as people do.

While I will not be releasing a formal public statement on the M.F.N. debate, you should feel free to share my sentiments with your colleagues. May God give you and all your colleagues His wisdom as you debate this important issue.

With every good wish,

BILLY GRAHAM.

SPECIAL ORDERS

The SPEAKER pro tempore (Mr. CALVERT). Under the Speaker's announced policy of January 7, 1997, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

INSOLVENCY IN SOCIAL SECURITY AND MEDICARE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan [Mr. SMITH] is recognized for 5 minutes.

Mr. SMITH of Michigan. Mr. Speaker, I would like to spend a couple of minutes talking about some of the things that were not in the budget agreement that should have been in the budget agreement. One is the problem that we are facing on the insolvency of Social Security; and another is the situation developing with an increasing insolvency problem for our Medicare Program.

What we are doing in this country now is we are asking young working families to pay in additional taxes to pay for the benefits going to senior citizens in such areas as Medicare and Social Security. I am especially concerned with Social Security because according to statistics, more and more young people are depending on that Social Security for retirement benefits as they are saving less than past generations for their own retirement.

□ 1415

Let me briefly discuss the problem that we are running into on Social Security. Since it is a pay-as-you-go program, the taxes paid in by workers are taken by the Social Security Administration. Those Social Security taxes, those FICA taxes, are then paid out to existing retirees. So despite what many Americans think, that there is some kind of savings, there is not.

Since 1983 when we substantially increased the Social Security tax on working Americans, we have had a surplus coming into that fund. For every penny of surplus that has come in, we have seen the Federal Government—the U.S. Congress and the President spend every cent of that surplus coming in from Social Security taxes for other social spending that this Government has suggested it needs.

Here is the problem. When some of us brag that we are actually balancing the budget in the year 2002, the fact is that in that year, 2002, we are actually borrowing $110 billion from the Social Security Trust Fund. So the budget is not truly in balance. Truly what we are doing is pretending that we are in balance because we are using money that is coming into the Social Security Trust Fund and spending it for other purposes.

Mr. Speaker, there are only two ways to deal with the insolvency of Social Security. We either in some fashion increase revenues or we decrease benefits.

I have introduced a Social Security bill in this last session. It is the only bill introduced in the House that deals with the problem of the insolvency of Social Security. That bill has been scored by the Social Security Administration to keep Social Security solvent for the next 75 years.

Somehow we have to get the message out to the American people, especially the younger people working, that they had better look at what their retirement benefits are. They had better look at the transfer of wealth from the working generation to the retired generation; and as we have more and more retirees in relation to the number of workers, the problem is compounding.

Here is what is happening. No. 1, people are living longer. Our medical technology has done a great job. When we started Social Security, the average age at death was 62-years-old. Today, guess what the average age at death is? The average age at death today is 75-years-old. Once you live to be 65 and start collecting Social Security, then, on the average, you are gong to live to be 84 So you have, No. 1, people who are living longer, and then, No. 2, we had the biggest increase in the birth rate ever before in our history with the baby boomers, the children of the veterans of World War II.

Those baby boomers are now in their maximum earnings years. They are going to start retiring around 2008, and when they start retiring, of course, two things happen. Many more people will collect benefits and the maximum earnings of those people are not going to be taxed anymore for Social Security to pay out benefits.

So the experts are suggesting we are going to run short of money as early as 2005. Maybe it is going to be 2011 or 2012, but it could be as early as 2005. Then what do we do? How does this Federal Government, how does this Congress, Democrats and Republicans, start paying back what they have borrowed from the Social Security Trust Fund? How do we come up with the additional money necessary to pay existing benefits?

Look, politicians are going to have to take their heads out of the sand and start dealing with these tough, real problems that are facing us in the future. It is not politically popular, so many Members think they are going to be beat up back home, and I suggest that they may be right. But we have to take our heads out of the sand. Let us start dealing with these problems.

The SPEAKER pro tempore (Mr. CALVERT). Under a previous order of the House, the gentleman from California [Mr. HORN] is recognized for 5 minutes.

[Mr. HORN addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. DREIER] is recognized for 5 minutes.

[Mr. DREIER addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

THE ECONOMY: PAST, PRESENT AND FUTURE

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from Wisconsin [Mr. NEUMANN] is recognized for 60 minutes as the designee of the majority leader.

Mr. NEUMANN. Mr. Speaker, in the interests of true bipartisan cooperation, I yield 10 minutes to my good friend, the gentleman from Minnesota [Mr. MINGE].

THE FEDERAL GOVERNMENT POLICY TOWARD THE ETHANOL PROGRAM

Mr. MINGE. Mr. Speaker, I would like to thank the gentleman from Wisconsin for yielding to me.

Mr. Speaker, I rise this afternoon to discuss a topic which has become increasingly controversial in this country. The topic is the policy that this Government, the Federal Government, ought to have toward the ethanol program.

This policy was initiated in the 1970's. It was recognized that this country ought to be more energy self-sufficient. One way to achieve that was to produce a fuel that could be used in motor vehicles from crops that are grown in this country. That fuel is ethanol.

Over the last 25 years, hundreds of millions of dollars have been invested in the production of ethanol. At this point in time, most of the ethanol produced in this country comes from corn, the largest single crop that is grown in the United States. In 1997, there has been a considered attack against the ethanol tax credits that are part of the Internal Revenue Code.

This week the Committee on Ways and Means has passed and forwarded on to the Committee on the Budget a reconciliation bill that would eliminate the ethanol tax cut by the year 2000, but more importantly, would substantially complicate that particular tax credit. I would like to take my remaining time to briefly speak about some aspects of this legislation.

Mr. Speaker, I really think we can best characterize it by an allusion to a program that talks about stupid pet tricks. This is really stupid tricks that is being played on the American farmer and on the ethanol industry. It is strangulating ethanol. This is occurring for several reasons and in several ways.

First of all, I think it is important to note that the legislation coming out of the Committee on Ways and Means of this body is a repudiation of market principles. We may ask, why is it a repudiation of market principles? This occurs because the legislation states that any ethanol produced in the United States in excess of an artificially designated base will be subject to a 51-cent-a-gallon penalty, a penalty that is not even a business expense that can be recognized in calculating taxable income. As a result, we find that the production of ethanol would essentially be frozen at current levels.

We also find that it is a repudiation of market principles, because what is happening is that petroleum-based fuel and additives are not subject to such a penalty. So as a consequence, rather than relying on the market system, we simply have an effort by legislative fiat to destroy the industry. The market is not present at all. We have, for the last several years, attempted to steer this country's economy to market principles, the basic concepts of supply and demand. This is a repudiation of that principle.

The second point, which is closely allied, is the destructive character of this penalty itself. Ethanol simply cannot be produced if there is a 51-cent-a-gallon penalty on that production. To be sure, the base quantity of ethanol can be produced. For that base quantity, there is still for a temporary period of time a tax credit. But any additional production would be subject to this confiscatory or destructive penalty.

The third point that I would like to make is that this is a reversal of the principles of the freedom to farm legislation that passed this body in 1996. Not all of us agreed with the 1996 farm bill, but I think most of us agreed that market principles ought to be the cornerstone of the Federal farm program for the next 5 years. Let us try it, let us see if it works. Corn has probably been the crop that has received more assistance over the years than any other crop.

So what are we saying? We ought to be trying the market. As farmers, you ought to be in freedom to farm, producing for the market. The farmers have gone out, they have attempted to help establish a market. They have been innovative, they have invested in consumer-owned cooperatives. Now we are saying to those farmers: Tough; we fooled you, did we not?

Indeed, we ought to recognize the freedom to farm principles. We ought to recognize the market principles. We ought to let farmers produce ethanol from the corn they are growing and market that. Somehow the destruction of this market has to be recognized by all as a repudiation of the principles that we have told these farmers that they ought to follow in the wake of the repeal of the traditional Federal farm programs.

The fourth point that I would like to make is that this is a breach of faith with the automobile industry. The American automobile industry was not initially enthusiastic about alcohol or ethanol. Consumers were wary of the product. There were stories about what it might do to engines. It turned out most of them were not accurate, they were rumors. But nonetheless, these stories persisted.

Over the last few years ethanol has gained a foothold. Now we find the Ford Motor Co. has announced that it is producing Taurus cars and pickups that will operate on 85 percent ethanol. Chrysler Corp. has announced it is moving in that direction. In Brazil, much of the country's vehicle fleet operates on ethanol or alcohol fuels.

Now that the automobile industry is making that commitment, we are pulling the rug out from underneath the automobile industry. Instead of being able to expand production, we are forcing the curtailment of production.

The fifth point that I would like to make is that this is death by ambiguity. There are ambiguous provisions in the law as it comes out of the Committee on Ways and Means that make it very difficult for the farmer-owned cooperatives to know whether or not they will be able to continue production, for the farmers who are interested in investing in cooperatives to manufacture ethanol to know whether or not that investment is worth making, and for cooperatives and investor-owned facilities that are already in place to know whether or not they can continue to produce at their capacity, as opposed to some previous level that was not the capacity of that plant.

This, in turn, is going to undermine the ability of the American economy, the agricultural economy particularly, to make the investment that is so important to ensure that this fuel is available to the American consumer, and that rural America can continue to participate in the prosperity of this Nation.

Finally, I would like to say that this proposal as it comes out of the Committee on Ways and Means is an example of creative accounting. Why so? It is creative accounting because the committee decided that by extending the ethanol tax credit until the year 2007 and then simultaneously repealing that tax credit back to the year 2000, they can realize approximately $3 billion of savings that can be used to finance or offset tax cuts.

What they are doing is artificially extending a credit that is sunsetting in the year 2000, and then claiming that due to the termination of this artificial extension, they have generated $3 billion of savings to the U.S. Treasury. This is fictitious. This is smoke-and-mirrors accounting. This is the type of thing we have been decrying as undermining our ability to balance the budget.

Mr. Speaker, I submit that what the Committee on Ways and Means proposal has done to the American farmer, the American consumer, American industry and candor in budgeting is tragic.

□ 1430

What we must do in Congress, Mr. Speaker, is forthrightly address this problem and make sure that this proposal from the House Committee on Ways and Means moves no further and that instead we embrace the proposal that has come from the U.S. Senate which recognizes the importance of the ethanol program.

I thank my colleague from Wisconsin for yielding this time to me.

Mr. NEUMANN. Mr. Speaker, I yield to the other gentleman from Minnesota [Mr. GUTKNECHT] who has an announcement on this very topic.

Mr. GUTKNECHT. Mr. Speaker, I would echo virtually everything that my colleague from Minnesota has just said. I would add that we have had meetings this morning both with the

Speaker of the House as well as the chairman of the Committee on Ways and Means, and we have had assurances from both that the ethanol program, as we have known it, will survive, at least through the end of the century.

Obviously, we still have our work cut out for us, to continue to resell the benefits of the program, but I think by the time this bill ultimately is settled on in the House, the ethanol program will be saved.

I happen to agree. I think ethanol is a great product. I think it is good for the farmer. But more importantly, it is good for our economy, good for our balance of trade and, more importantly, I think, perhaps than anything else, it is good for the environment.

I have had assurances from both the Speaker and the gentleman from Texas [Mr. ARCHER]. I met with him personally not more than an hour and a half ago. He assured me that by the time this bill ultimately is finalized, that the ethanol program will be protected as it is today, at least through the end of the century. We are making progress and our voices are being heard.

Mr. NEUMANN. That is certainly good news for the farmers in the Midwest, which all of us represent.

With that, we will turn our attention to the reason that we are here today, that is to talk about the budget process, the debt, the deficit, where we have been, where we are today, and where we are going to, and we are going to divide this into three separate parts today as we talk about first the past, where we have come before, before any of us who are here on the floor right now were here in Congress. But I think it is important that we talk about the past and that we take note of how fast and how much of this debt has accumulated.

I start with the chart that I have here. This chart shows the growth in Federal debt. It can be readily seen that from 1960 to 1980, there was very little growth in Federal debt. As a matter of fact, it is almost a flat line. But from 1980 forward, this thing has grown right off the charts. Before my colleagues react to this, I know 1980 is the year Ronald Reagan became President and all the Democrats will blame him. I know 1980 is the year that all the Republicans say the Democrats ran spending out of control and ran the deficit up.

The bottom line is today we as a Nation stand way up here on this deficit chart. And the facts are that whether you are Republican or Democrat, this is a problem that we as a nation must now address. That is the reason that many of us, the three of us here on the floor and many of the rest of us, came to Congress in the first place. The size of this debt is somewhat staggering. We currently stand about $5.3 trillion in debt. That is a number too big almost for anyone to comprehend. I used to teach math. Let me put this in perspective the way we used to in the math classroom.

If we divide the debt by the number of people in this country, we would find that every single man, woman, and child in the United States of America is responsible for $20,000 of debt. Let me put that another way. The Federal Government has primarily over the last 15 years spent $20,000 for every man, woman, and child more than what it has collected in taxes. They have run up $100,000 of debt for a family of five like mine. The real kicker in this thing is the real impact it has on the family. A family of five like mine sends $580 a month to Washington, DC to do nothing but pay the interest on the Federal debt. A lot of folks out there are going: I do not pay that much in taxes, and they feel pretty good. That is not entirely true. The fact of the matter is, when you walk into a grocery store and you buy a loaf of bread, the store owner makes a small profit on that loaf of bread. And part of that money that you paid to the store owner gets sent down here to Washington in the form of taxes because that is part of his profit margin. The bottom line is when people add up all of the money that they are paying in taxes to the Federal Government to Washington, a family of five like mine is in fact paying $580 every month to do nothing but pay the interest on the Federal debt.

It is somewhat a staggering number, and in the past Members of this body have talked about fixing this problem. They have had all kinds of different proposals. The most remembered perhaps is what is called the Gramm–Rudman-Hollings. In 1985, we passed a bill through this body called the Gramm–Rudman-Hollings Act and it promised the American people that we would have a deficit stream that goes along this blue line and reach a balanced budget in the year 1991. But in fact what happened is they did not meet the deficit stream and in fact what happened is the deficit ballooned.

So they passed a new bill. They called it Gramm–Rudman-Hollings 1987. And they again promised the American people a balanced budget that a deficit stream that would follow this blue line reaching zero this time in 1993. Again, the red line shows the actual deficit and they did not meet the targets.

This city is the most amazing place in the world. We look back on this track record where promises were made and promises were not kept to the American people. And for some reason the American people seem a little cynical right now about whether or not they should believe what they are being told here in Washington.

It does not take me long to figure out exactly why the American people are as cynical as they are. Frankly, it is this chart that caused me to leave a very good business in the private sector and run for Congress in the first place with no prior involvement in politics in any way, shape or form.

I am a homebuilder by trade. But when I heard these promises out here and realized how important it was we get to a balanced budget and after hearing these promises the first time and seeing the deficit balloon and then hearing the promises the second time and seeing the deficit balloon again, I realized that we as a nation had to do something about this. That is what caused me to leave the private sector and to run for this office.

I yield to the gentleman from Minnesota.

Mr. GUTKNECHT. Mr. Speaker, I think there is another point that needs to be made. We are working on a chart in my office that demonstrates what a big part of the problem has been. The history has been for about a 20-year period for every dollar that Congress would take in, it would spend about $1.22. In fact many people made the point, I think it is a good one, that the problem was not that the Government was not taking in enough money. In fact one farmer in my district said it so well. He said the problem is not that we are not sending enough money into Washington. The problem is that Washington spends it faster than we can send it in.

And that has been the problem, the problem has always been on the spending side because many of those fixed programs involve some kind of, quote, revenue enhancement or tax increase; and for every dollar that tax revenues were supposed to go up, Congress just spent another $1.22, $1.23 of that. And that is the history of this place. I think we want to talk about what is happening now.

Mr. NEUMANN. Before we get there, I think my colleague has made another very important point that needs to be brought out here. In both 1990 and especially in 1993, we saw the biggest tax increase in American history. In 1993, people started looking at these deficit lines and realized we had to do something about the deficit and in clear Washington-style thinking, they concluded what we ought to do is raise taxes on the American people. They said: We have an idea here. To balance the budget we will reach into the back pockets of the American people, take more money out and maybe that somehow will help us to balance the budget.

This is the past we are talking about. In the past the way to move to a balanced budget was to raise taxes. In fact, that bill passed this body, the House of Representatives, in 1993, the biggest tax increase in history; that bill passed this body by one single solitary vote. I think it is important to note it went over to the Senate. Not many Members agreed with it over there either. It passed the Senate by one single solitary vote also. So that past kind of Washington thinking that the right way to go to a balanced budget is to raise taxes, to reach into the back pockets of the American people. That thinking is not here anymore but it was sure prevalent in 1993 before we got here.

In 1994, pretty amazing thing happened. For the first time in 40 years, the Republicans were elected to control the House of Representatives. First time in 40 years. And I do not like this to be partisan at all but it was a very significant change in control of what was going on out here. A whole new philosophy came in with the Republicans. We brought with us a theoretical model. I want to lay that model out as we talk about the present, as we talk about where we are at today and what is happening in 1995, 1996, 1997. We brought with us this theoretical model and it worked like this. We do not want to raise taxes on the American people. Instead what we are going to do is curtail the growth of spending in Washington, DC. We are going to keep this Government from growing rapidly, instead we are going to curtail that growth.

And if we could curtail the growth of spending in Washington, that would mean the deficits would be lower and the Government would borrow less money out of the private sector. When the Government borrowed less money out of the private sector, that of course left more money out there in the private sector. More money available led to lower interest rates. Lower interest rates of course meant people could afford to buy houses and cars, the American dream. They could afford to do these things and, very important, when people bought more houses and cars, somebody had to go to work building those houses and cars.

And the theory went like this. When they went to work they would leave the welfare role, reducing the cost to the Federal Government for welfare and they would get into a job paying taxes. So the theory was curtail the growth of Government spending, Washington would spend less and therefore borrow less out of the private sector. Borrowing less out of the private sector would leave more money available there. More money available would keep the interest rates down. Lower interests rates meant people would buy more houses and cars, and when they bought more houses and cars that meant people would have to go to work building them. More jobs meant people left the welfare roll and went into the work force and this whole picture should work without raising taxes on the American people. That brings us to the present. What has happened?

Mr. Speaker, I yield to the gentleman from Kansas [Mr. TIAHRT].

Mr. TIAHRT. Mr. Speaker, in the present we are enjoying one of the strongest economies we have had for a long time. Our gross domestic product is up. Unemployment is at an all-time low in Wichita, KS, it is approximately 3 percent. We have the stock market setting new goals every week. And a lot of our economy is based on a perception. Right now the perception is that we are going to do something about the Federal debt.

We are going to do something about the $355 billion that we will spend this year just to pay the interest on the Federal debt. By stopping the growth in our Federal debt, we will eventually get a lower interest level and that will mean more money available to build highways or provide for national defense or provide health care dollars or nutrition programs, the things that traditional people think that ought to be done by our Federal Government.

So we have this very strong economy, and it is based on the perception that we will get to a balanced budget. There is finally hope out there that we are going to control the spending at the Federal level and that we are going to allow people to have more control of their own money. People do two things when they are more in control of their own money. They either spend it or save it, and both things are good for the company. If they save it, that makes more capital available. That capital is then invested in innovative ideas which become in reality new jobs, and they provide more goods, or people spend the money.

If they spend the money, then that is also good because they create jobs to make the goods. And my colleague pointed out earlier that they want to buy for themselves or their children or their home or an automobile. So in today's economy, we have a very strong sense of hope, and people are having faith that we are going to continue to have a strong growth in our economy; and it is, I believe, based on the perception that we will control Federal spending and balance our budget and eliminate the Federal debt.

Mr. NEUMANN. I think it is important again, we have moved into the present and what is happening and how is it different than the past. The Gramm–Rudman-Hollings chart shows when the targets were not met. We have moved into the new theoretical model that we need to control the growth of Government spending. Have either one of my colleagues heard about cuts in Government spending?

Mr. GUTKNECHT. Mr. Speaker, we heard a lot about it in the last campaign about these draconian cuts. The truth of matter is, we have made some reductions. We eliminated 279 programs here. We replaced the welfare state with the opportunity society. We have had serious, real welfare reform. There have been some serious changes but there have not been the draconian cuts that some of our colleagues on the left have said.

Some of the Members who ultimately believe that Washington knows best, their end of that debate is losing. The American people no longer believe that. They believe that the decisions are best left to families and to communities and to States, and that is what we are trying to do, is to send more of the authority, the responsibility and the resources back so they will have more accountability for that money. And as a result we have a stronger economy. There is more consumer confidence. They understand that Washington is limiting the growth of entitlements, that we are cutting some of those duplicative programs, that we are trying to streamline Government and as a result there is more confidence.

They see the deficit coming down because revenues to the Federal Government are going up. I hate to steal your numbers here but I love this number so much. If we compare what happened in the past when Congress would take in a dollar, it would spend $1.22. But I think the numbers that we have come up with about what has happened over the last 2 years when we passed our budget resolution in 1995, this Congress, this House said that in fiscal year 1997, we were going to spend $1,624 billion on Government programs. That is still a lot of money. But what has really happened is because of the fiscal discipline, because the demands for welfare and so forth are less, we are actually only going to spend in fiscal year 1997, $1,622 billion.

This Congress is actually going to spend less money in this fiscal year than we said we were going to spend just 2 years ago. That is good news. But the news gets even better when we apply what is happening on the revenue side. Because of the growing economy, because we have offered more opportunity to more people, we have actually taken in over $100 billion more than we expected.

☐ 1445

That is incredibly good news. I guess good news does not always make the national news, but hopefully the American people, without this being a major headline story, are beginning to figure out that this Congress is actually doing what it said it was going to do: It is limiting the growth of Federal spending, it is allowing taxpayers to keep more of their own money. We have a stronger economy, and we are going to apply these additional revenues, rather than to new Federal programs that waste so much, we are going to give a big chunk of that back to the American people and apply some of it to the debt.

Mr. NEUMANN. If the gentleman will allow me to reclaim my time, I cannot help but think that, first off, we are all here yet because we are waiting for a Committee on the Budget meeting to actually carry this to the next step, and I will not see my wife Sue until later.

The first time I called my wife and said I just looked at the 1995 projections, and for 1997 they said we should spend $1,624 billion and we actually spent $2 billion less than that. Then I looked at the other side and we had received $100 billion more in revenue, and this means we received this extra revenue and did not spend it, we applied it to the deficit. She said I should check the numbers, that somebody was lying to me out here.

I have to accept that as kind of the reaction of the American people. The American people do not understand that we did lay out this track record in 1995 when we came here. They are so used to the Gramm–Rudman-Hollings thing, where they never met their targets and never did what they said, that they failed to recognize that we have in fact curtailed the growth of government spending.

I have a chart that shows what is actually happening, and all of this talk about the cuts and the government spending as being draconian cuts, the reality of the picture is this. Before we came here government spending was growing each year by 5.2 percent. That is this red column. That is the last 7 years before we got here. In the first 7 years after we got here, it has only grown by 3.2 percent.

Is it still growing? Yes. Would some of us like to see a zero in this column? Yes. But the reality is, what we have done has slowed the growth of government by about 40 percent. Folks, that is our first 2 years here. We have slowed the growth of government spending by about 40 percent.

If anyone is interested in inflation-adjusted dollars, it was going up by about 1.8 percent before we got here. It has now gone up by about .6 percent.

Again, would I prefer to see that as zero out there, that there is no real growth in government spending? Yes. But do I think we should recognize the very significant progress that has been made, the fact we have reduced the real growth of government spending by two-thirds in 2 short years? I think that should be recognized.

I think the American people should be cheering, because here is what that has led to. Again, I cannot emphasize enough, as I show this next chart, keep in mind the Gramm–Rudman-Hollings promises that were never met. This chart shows what we promised in 1995 for a deficit stream. In 1995 we made a projection for 1996. We made a promise, just like they did in Gramm–Rudman-Hollings. This red column shows what we promised. The blue column shows the actual deficit. Again, I emphasize, we not only met our target but we were ahead of schedule by almost $50 billion.

So we go into year 2 of our plan, and year 2 of our plan is 1997. Fiscal year 1997 is virtually over. We said that the deficit stream, in order to reach a balanced budget by 2002, had to be less than 174, again, this red column. The blue column shows actual. We are not only on track in year 2, but we are ahead of schedule.

This is why we are still out here on Friday afternoon. We are about to put this plan into place. The third year of our 7-year plan to balance the budget, the red column again shows what was promised to the American people. I would emphasize that we are once again on schedule, not only on track but ahead of schedule with this deficit stream.

I will make a projection right here and now today. This theoretical model of curtailing the growth of government spending, to leave more capital available in the private sector, leading to lower interest rates, so people buy more houses, and cars and other people go to work building them and start paying taxes instead of drawing welfare, that is reflected in this chart. The fact they have left the welfare rolls means lower costs, and the fact they are in a job paying taxes means more revenue. That is why we are not only on track but ahead of schedule.

We are in the third year of our 7-year promise to the American people. We are on track and ahead of schedule in each of those 3 years. My prediction is this: We will not only reach our 7-year goal of balancing the budget, but the budget will, in fact, be balanced by the year 2000. We will run our first surplus since 1969 in the year 2000.

I just want to add one more thing to this that I think is real important. We are doing this, we are laying down this track record of staying ahead of schedule, and at the same time turning to the American people and saying that they are sending too much of their hard-earned money to Washington, to keep some more of it themselves.

The tax cuts we are implementing, the reason we are still here is to get these to the next level so they are actually implemented into law. A family with children gets to keep $500 more a year of their own money. It is not a gift from Washington. This is the taxpayers' hard-earned dollars that stay in their house, to maybe buy a nicer house or maybe use it for education for their children. It is their money. They should spend it.

So tax cuts are being implemented at the same time we move along this track to a balanced budget, and in fact we are going to balance the budget by the year 2000 and provide additional tax cuts to the American people, $500 per child. If someone plans to die and pass their estate on to their children or the next generation, that is a tax that will be lowered. Capital gains is lowered. If folks have college students out there, they are going to get to keep an extra $1,500 of their own money if they are paying college tuition for one of their children.

That is not a bad tax cut package. I assure my colleagues of this. In this town they are having all kinds of fights about this, saying the American people really do not want tax cuts. When I go to church on Sunday and I see my friends with kids and they are sitting there in the pews, I know good and well these families that are earning between 30, 40 and $50,000 a year, that they are going to get to keep an extra $500 per child. In a family with three kids, they keep $1,500 a year.

If someone is earning $40,000 a year, getting up, going to work everyday, and maybe both spouses are working in the house, $1,500 a year cash in their pocket is a lot of money, and the people in this country understand what we are doing here.

We are on track, we are ahead of schedule, we are going to balance the budget. We are in the third year of this plan to balance the budget. We are ahead of schedule, and we are doing it while we are fulfilling the rest of our promises to the American people, and that is the tax reductions as promised.

I would be happy to yield to my good friend from Kansas.

Mr. TIAHRT. In January of 1995, when the three of us were sworn in in the 104th Congress, the projected budget that we were looking at from the administration said we would have a $200 billion deficit in fiscal year 1996. And it pretty much continued all the way out to 2002 as a deficit of $200 billion per year every year.

We then came forward, and all of us supported this plan, which is indicated by the red columns in the chart the gentleman has shown us, and said that we would get to a balanced budget by 2002. I think that was made with a reasonable set of judgments that could be called conservative, and, apparently, we have gone even beyond those expectations.

The very first year of the plan we were ahead of schedule by $50 billion, I believe the gentleman told us; by the second year of the plan, we were ahead by over $100 billion of what we had projected; and now, as we approach the next 5 years of the plan, starting with fiscal year 1998, the gentleman is making the prediction that we will be ahead of schedule, of our new updated projections, and even get to a balanced budget by the year 2000. So we have 3 more years.

Based on the judgment or the past experience in fiscal year 1996 and 1997, where we were $50 billion ahead of schedule and then $100 billion ahead of schedule, it looks very likely that we will get to a balanced budget by the year 2000 instead of waiting until 2002.

Mr. GUTKNECHT. If the gentleman will yield, I think it is interesting to see how much the rhetoric around this building has changed since we first came here. If my colleagues will recall, when we first started talking about balancing the budget in 7 years, there were a lot of people that said we could not balance the budget in 7 years; that it will take at least 8 years, maybe 9, maybe 10.

In fact some of us recall seeing the President on several different occasions say, well, maybe we could do it in 9, maybe we could do it in 10. And then there were an awful lot of people here in the body who said, well, maybe we can balance the budget, we might be able to do it in 7 years, but we cannot do it and provide tax relief for American families. That just cannot be done.

I think we are demonstrating not only can we balance the budget in less than 7 years, as we first stated, but we can do it while we provide tax relief for American families.

I want to point out one other argument we have had here in Congress over the last several years, and that is about saving and securing Medicare, not only for our parents but hopefully into the next generation. All of us are baby boomers, and we want to make certain our fellow baby boomers are not left out completely in the cold as it relates to Medicare.

But the debate last year was that we could not offer seniors the kinds of choices that Members of Congress get as it relates to Medicare, and save the system and do all these other things. My colleagues will remember some of the ads run against people like my colleagues and I. I think all three of us were the recipients of some of the advertising and all the negative nay saying about what we were doing to Medicare.

But it is interesting that the Medicare plan that we are going to vote on in the Committee on the Budget, hopefully in a few minutes, is essentially the same in both policy and in price tag that, A, was vetoed just a year and a half ago but, more importantly, was demagogued in the last election.

So it is really interesting for me to see how much the debate has changed from, A, we cannot balance the budget; B, we cannot balance in 7 years; C, we cannot balance it and give tax relief; and, D, we certainly cannot save Medicare along the way. Well, the beauty of all of that is, as we begin to work on this reconciliation package and this budget agreement between the White House and the Congress and the Republicans and the Democrats, the interesting thing is that virtually everything we talked about 2 years ago is now coming to fruition. We are balancing the budget, we are saving Medicare and, more importantly, we are going to start to lay the groundwork of actually paying off the debt.

If I can say one more point, because I have to leave, I know there were an awful lot of children here and there were some on the floor earlier. Sometimes we forget. We start talking about numbers and balancing the budget, and 2.3 and 3.8, and $1624 billion, and all these big numbers. We lose track of what this debate really is about, and what the debate really is all about is preserving the American dream for our kids.

Because what was happening in Congress for so many years is that we were mortgaging their future so that we could have more and more Washington spending. And the American people in 1994 said enough is enough, because they understand who can spend the money better.

So we are making tremendous progress. We are keeping our promise. We are going to balance the budget no later than 2002. We will provide honest tax relief. And I think in terms of seniors and baby boomers, the other good news is, we are going to save and secure Medicare.

Mr. NEUMANN. If the gentleman will allow me to reclaim my time, I think it is real important now we move to the future and talk about the future. The past is the promises that were not kept. We had Gramm–Rudman-Hollings. They never hit their targets. We had all sorts of promises out there. The past was that we had to reach into the pockets of the American people and take more money to get to a balanced budget. That is the past.

The present is we lay down a track record of actually meeting our targets, staying ahead of schedule and keeping our commitment to lower taxes on the American people. And how do we do that? We curtail the growth of Government spending. That is the present. That is what is actually happening today, and in fact we are going to reach a balanced budget by at least the year 2002 and probably sooner.

So I think it is time to start thinking about the future, because even if we reach a balanced budget, we still have a $5.3 trillion debt hanging over our heads. It is not right that our generation has borrowed $5 trillion, has spent $5 trillion and is now willing to pass that debt on to the next generation. So I think it is time we start thinking about what we might do about that.

Shortly I will be introducing a bill called the National Debt Repayment Act, and there are two real parts to the National Debt Repayment Act. The first part does this: It says once we reach a balanced budget, we will then cap the growth of Government spending at a rate 1 percent below the rate of revenue growth. Once we reach a balanced budget, we then cap the growth of government spending 1 percent below the rate of revenue growth. That creates a surplus.

Now, in fact, and I brought this other chart with me, revenue for the last 3 years has been growing by over 7 percent. So for those afraid of this, that somehow that will curtail Government spending too much, that will not happen. For the last 5 years, the average growth has been 7 percent. For the last 10 years it has been 6.2 percent. For the last 17 years it has been 6.8.

So all we are really saying in the first part of this bill is that we are going to look at the growth of revenue and we are going to cap the growth of Government spending at least 1 percent below that number.

Here is what happens: If we cap the growth of Government spending 1 percent below the rate of revenue growth, we create a surplus. That brings us to the second part of the National Debt Repayment Act.

We take that surplus and we dedicate two-thirds to repaying the debt and one-third toward additional tax cuts for the American people. So two-thirds to debt repayment; one-third to additional tax cuts.

Now, there are some important things that start developing. The first one is obvious. When we devote part of the surplus to additional tax cuts, the American people can start thinking of keeping even more of their own money in their house and in their home, to provide a better house or maybe a better education for their kids. So the first part of this bill, what happens is they keep more of their money in their own home, to spend it as they see fit, as opposed to sending it down here to Washington.

So the bill creates a surplus. The first third of that surplus goes to additional tax relief. The other two-thirds goes to paying down that $5.3 trillion debt, so that we in our generation live up to our responsibility, so we can pass this Nation on to our children debt free.

Under this plan, by the year 2026 the debt would be repaid in its entirety. Just think about this. We, in our generation, before I leave the work force, can literally pay off the entire Federal debt and pass this Nation on to our children debt free.

What does that actually mean? A couple of things. First off, we talked before about a family of 5 sending $500, $600 a month down to Washington to do nothing but pay the interest on the Federal debt. If we had the Federal debt paid off, there would be no reason for the families to send $600 a month to Washington to pay that interest, so they could keep that money in their own home.

Just think about $600 a month. Of course, that would be adjusted for inflation, but $600 a month in the home to do what the families see fit with. Whether that is better education or a better home or a new car or whatever that is, that stays out there for them to make the decision on how they spend their money, instead of sending it here to Washington for us to make the decision of how we are going to spend it.

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So the first ramification of paying off the debt is there is no need for families to send $600 a month to Washington to pay the interest. But there is another ramification that is very, very important for our senior citizens.

Social Security today collects more money than it pays back out to our seniors in benefits. That extra money is supposed to be sitting in a savings account out here. Well, there is no savings account. There is only IOU's in that savings account, and it is all part of that $5.3 trillion debt.

It follows that if we are going to repay the Federal debt, we will be putting the money back into the Social Security trust fund that has been confiscated by the people in this community over the last 15 to 20 years.

So think about this. By simply capping the growth of Government spending 1 percent below the rate of revenue growth, we literally pay off the entire Federal debt, our children receive this Nation debt free, they have no reason to send $500 a month down here to Washington to pay interest on the Federal debt; and the good news for seniors is that the Social Security trust fund that is supposed to have a savings account with real money in it, we will be putting the real money back into the Social Security trust fund so Social Security would once again be solvent for the future of our senior citizens in this great country.

Mr. TIAHRT. Mr. Speaker, if the gentleman would yield, if we go back to what we are currently paying this year on interest on the Federal debt, it is about $355 billion. That is our gross payments. It is not the net payment. But if we were to eliminate this debt and gradually pay it off, that means that our interest payments would actually become less and less and less. So right now it consumes about 20 percent of the Federal budget; is that not correct?

Mr. NEUMANN. If the gentleman would yield, about 17.

Mr. TIAHRT. About 17 percent of the Federal budget. Well, as that becomes less and less, it will make more money available to pay off more of the Federal debt. So it kind of gains momentum as we go on. As we pay off a portion of the debt, we pay less in interest payments. That makes more money available to pay off other parts of the debt and releases some of the burden that is on our children and on ourselves who are paying those additional taxes. So it is a pretty good plan. We are going to limit the growth of Government and allow extra revenue, surplus revenue that will be used to pay off the mortgage that this company has already taken.

Mr. NEUMANN. If the gentleman would yield, he might be interested to know my background as a home builder. And this not a whole lot different than what folks did when they came into our office and bought a home from us, they put it on a 30-year mortgage and paid the home off.

So this idea conceptually of paying down the Federal debt over a period of time, it is not a lot different what every American family goes through when they go out and buy the American dream or home. This is not a far-fetched idea that cannot happen. In fact, we have reached a point in this Nation where it can happen and should happen.

All we have to do is pass what is called the National Debt Repayment Act. We are hoping that that actually gets added into the reconciliation bill next week. We are hoping that this portion of the reconciliation bill will be put in so we actually get on this path to repay the Federal debt, thereby passing the Nation on to our children debt free and ensuring that Social Security is solvent again.

Mr. TIAHRT. If the gentleman would yield, I am also an original cosponsor of this legislation. But I want to go back to some things he said here, because now the projections that we are making for the future are based on revenue growth of about 4 percent increase each year. And yet our history over the last decade and a half has been at about 6.8, 6.5, over 6 percent.

So if it does grow at 6 percent, which is a very reasonable thought pattern, a very conservative view, we could get to this surplus by as early as 2000. And then at 2000, we start into the National Debt Repayment Act, which then takes a third for tax relief for working Americans.

And again, that is a good thing, because people do two things with their money once they have tax relief. They either save it, which is more capital and, therefore, more jobs that are created, or they spend it; and when they spend it, that stimulates our economy and, once again, creates more jobs.

So we have one-third going to tax relief and then two-thirds goes to repay the debt. And that kind of gains momentum. As we pay off the debt, the interest goes down and we have more money available. So it is a very conservative plan. Historically, it looks like it very well could work, barring any unforeseen circumstances.

Mr. NEUMANN. If the gentleman would yield, that is really what this chart shows. It shows the growth of revenue to the Federal Government. It has been 7.3 percent the last 3 years, 7.3 over 5 years, 6.2 over 10, 6.8. Those are all numbers.

But what is significant is to note the difference in those numbers versus what is actually in our budget agreement. We are only projecting growth at 4 percent. Our budget agreement is very, very conservative when compared to his historical perspective. In fact, if it grows at 6 percent, still slower than what we see up here, but if it were to grow at 6 percent, we would in fact have a balanced budget by the year 2000 and run our first surplus.

Just think what a wonderful situation. Just think, as we get to the turn of the century, instead of being burdened with the $300 billion deficit we were looking at when we came here 2 short years ago, if instead of that, this working model of controlling the growth of Government spending, not the old model of reaching into the back pockets of the American people back in 1993, with the biggest tax increase in history, the new model of controlling the growth of Washington spending, that model is working so well that we reach a balanced budget at the turn of the century and we get up on January 1, 2000, realizing that our Government has changed completely from where it was in 1994 and 1993 and back in this new model of controlled Government spending, as opposed to runaway Government spending, the new model of leaving more money in the pockets of the people instead of reaching into their back pocket and getting more money out for Washington, that new model where we control Government spending instead of raising taxes, that in the year 2000, on January 1, we get up in the morning and we realize that it actually has happened. It is going to be a startling day for America, because they are going to get up and they are going to see this come to reality.

These projections are very, very conservative. And I fully expect on January 1, 2000, the American people will get up and we will be talking about what we are doing with the surplus.

Mr. TIAHRT. If the gentleman would yield, when I think about how this is in relationship to the people in Wichita, KS, which is a big part of my congressional district, I think about a young woman that I met who works second shift at the Raytheon Plant. She has three children, and she is a single mom. When I asked her, ‘‘What is the most important thing that the Federal Government could do for you?’’ she said, ‘‘If you could give me some tax relief so I could take care of my three kids, I would be very happy.’’

At that time, we were talking about a lot of other issues, raising the minimum wage; we were talking about whether we should work on some other social programs, how we could save Medicare, et cetera. But the most important thing to her was that she could take care of her family. And I think most Americans are that way, they would like to be able to financially take care of their family.

Under the plan that we have put in place, we can achieve the goals that this country thinks is very important, balancing the Federal budget, paying off the debt we have, and giving more money to working Americans so they can take care of their families and take care of themselves.

This plan we have on the National Debt Repayment Act achieves those goals that we have in common here in America. It reduces the debt and it gives tax relief and restores integrity to very important funds that we have now, the trust fund for transportation and social security, very important issues. So as we move forward into the next few years, it is very exciting to see our economy doing well, that our plans are starting to take shape, that there is promise and hope for the future.

I think this is a wonderful time to be in Congress and to be in America because we see this plan coming into shape. It provides hope, does it not?

Mr. NEUMANN. If the gentleman would yield, it surely does. I think as we near the end of our hour here, I think it is important that we wrap this up.

We now have been talking about the future. This is not just a series of promises being made by people here in Washington. I think it is very important that we remember that, in the present, we are in the third year of our plan to balance the Federal budget. The first year, the red was promised, the blue was achieved; we were ahead of schedule. The second year, the red was promised, the blue was achieved; we are ahead of schedule.

I am about to head over to join somebody who I think is an American hero, and that is the gentleman from Ohio [Mr. KASICH], the chairman of the Committee on the Budget. He is right now crafting this third-year plan, and we are about to go and pass it, I hope this afternoon. But in the third year, we are not only on track, but again we are ahead of schedule. I think it is very important.

We just dedicated about 10 minutes here to the future and the National Debt Repayment Act. This is not just a series of empty promises like back in the past with Gramm–Rudman-Hollings, and it is not a series of promises based on the past model of how much more money can we confiscate from the American people. These are discussions being held, based on a 3-year track record that have us not only on track but ahead of schedule from what was promised.

I think it is very, very important as we near the end of our hour here that we go back to the past, we cover the present, and we look to the future again and make sure we remember what that means. I cannot help, as we near the end here, thinking about our families back in Janesville, WI, and thinking about our friends in church with three kids, one headed off to college, and they look at the package that is now on the table, it is not fiction, it is here and now, that they are going to get that $1,500 help to send that student to college. They get to keep $1,500 more, instead of sending it out here to Washington. And the two kids they still have in their house back in Janesville, WI, they get $1,000 for them, $500 for each one of those kids.

This is not the past, it is the present, and it is happening here and now. We are on track to balancing the budget and reducing the taxes.

The first time I ever saw this really work, I was a little cynical of can we actually reduce taxes and balance the budget. But Tommy Thompson did it out in the great State of Wisconsin. If he can do it out there, this is just kind of a Wisconsin carry-through out here in Washington, DC.

The past is a series of promises that were broken, made by people here in Washington. The past and those broken promises motivated people like us to leave the private sector and come out here and serve in this Government to change it. The past and those broken promises of Gramm–Rudman-Hollings, where they promised to balance the budget and never did it. The past, 1993, the biggest tax increase in history, how much more money can we get out of the pockets of the American people to say that we are making progress towards balancing the budget? That is the past.

The present is our now-working model of controlling the growth of Government spending, because we know when the Government spends less, it leaves more money available in the private sector. More money in the private sector keeps the interest rates down. And this means something in Janesville, WI. This means lower interest rates so people can afford to buy more houses. And when they buy more houses and cars, somebody has to go to work building those houses and cars. And those people are leaving the welfare roles, getting jobs and paying taxes. And that is this working model that is making this whole thing happen.

That is the present. The present is not the old ways of the past, reaching into the pockets of American people. It is this new model of curtailing the growth of Government spending. This new model has us not only on track of fulfilling our commitments, but ahead of schedule. It has got us providing the tax relief to American families that had been promised 2 years ago. It is here and now and it is the present. It is not an empty set of promises, but it is actually happening now, as we speak.

The future holds an even brighter picture for our children and for future generations of Americans. The future holds us continuing down this path, passing a bill called the National Debt Repayment Act where we generate a surplus and that surplus is used one-third for additional tax reduction and two-thirds to pay down the debt. Under this plan, by the year 2025, this is our future, before I leave the work force, before I retire, good Lord willing, we will have paid off the debt in its entirety so we can pass this Nation on to our children debt free.

That means no interest payments out here to Washington. That means the Social Security system is revived and restored so our seniors can count on getting the money that has been promised. That is what this is all about, and that is my dream for the future of this country.

Mr. TIAHRT. Mr. Speaker, in conclusion, when Thomas Jefferson sent Merriwether Lewis and William Clark off to the great Northwest, he had a great deal of hope for the future of this country. He saw it growing and prospering.

Now, as we stand here in 1997, on the brink of a strong economy, we look forward and we have a great deal of hope, a hope of balancing the Federal Government, of controlling Federal spending, of giving a great deal of hope for the future for our country.

I want to thank the gentleman from Wisconsin [Mr. NEUMANN] for coming down here and showing us in very clear terms where we came from in the past as far as Federal Government spending, where we are today, and what we are looking for in the future, which I believe is very optimistic. Again, it is a picture of hope, the same type of hope that Thomas Jefferson saw when he looked toward the West back in the early 1800's, and it is the same type of hope, I think, as we look at the new century. We should have hope for a strong economy, of a way of paying off the debt so our children have a strong future, strong economy, with plenty of opportunity and a way that they can see that they can grow.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mrs. CLAYTON (at the request of Mr. GEPHARDT), for today, on account of a death in the family.

Mr. STARK (at the request of Mr. GEPHARDT), for today, on account of illness in the family.

Mr. UNDERWOOD (at the request of Mr. GEPHARDT), for today, on account of official business.

Mr. YATES (at the request of Mr. GEPHARDT), for today, on account of personal reasons.

Mr. BLILEY (at the request of Mr. ARMEY), for today, on account of personal reasons.

Mr. GOSS (at the request of Mr. GEPHARDT), for today, on account of attending his daughter's wedding.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. GUTKNECHT) to revise and extend their remarks and include extraneous material:

Mr. DREIER, for 5 minutes, today.

Mr. KOLBE, for 5 minutes, on June 23.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

(The following Members (at the request of Mr. SANDLIN) and to include extraneous matter:)

Mr. SKELTON.
Mr. DOYLE.
Mr. KILDEE.
Mr. KUCINICH.
Mr. DEUTSCH.
Ms. HARMAN.
Mr. STARK.
Mr. WEXLER.

(The following Members (at the request of Mr. GUTKNECHT) and to include extraneous matter:)

Mr. FORBES.
Mr. HILL.
Mr. GILMAN.
Mr. GINGRICH.
Mr. WOLF.
Mr. MCDADE.
Mr. BOB SCHAFFER of Colorado.

(The following Members (at the request of Mr. TIAHRT) and to include extraneous matter:)

Mr. UPTON.
Mr. GILLMOR.
Mr. MORAN of Kansas.
Mr. HALL of Texas.
Mr. PACKARD.
Mrs. FOWLER.
Ms. DELAURO.
Ms. VELÁZQUEZ.
Mr. CRANE.

ENROLLED BILL SIGNED

Mr. THOMAS, from the Committee on House Oversight, reported that that committee had examined and found truly enrolled a bill of the House of the