protecting our anadromous and resident fish and wildlife while also providing a reasonable and continuing harvest for Columbia River tribes, commercial fishermen, and sports anglers.

I will continue to listen to the stakeholders interested in a comprehensive approach. I am aware that the region's Governors and their transition board may look to a group of ''three sovereigns''—Federal, State, and tribal—to construct such a framework, together with other economic and environmental stakeholders. This and other creative thinking on how to maintain both the economic and public benefits of the Bonneville system will be critical to Congress as we move forward with this legislative package.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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 President, I ask unanimous consent that the order for the quorum call be rescinded.

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

SIGNIFICANCE OF THE TRADE DEFICIT

Mr. MOYNIHAN. Mr. President, there has been considerable discussion on the Senate floor in the last week in the matter of the fast-track legislation, as we refer to it, about the trade deficit and the size of the present deficit and the projections that it will increase.

It has been suggested that this deficit began to take form in the context of the 1974 legislation providing fast-track authority to the President, and that to extend that authority would only be to continue and deepen that deficit.

My very good friend from Maryland has been I think of this view. My colleague and friend from North Dakota has proposed a commission to look into the whole matter, which can do no harm as long as we keep to the economics of this matter as it is now understood.

Many persons have opposed fast-track legislation because of the deficit, and it seems to me necessary, useful to put into the RECORD the fact that these are not in fact connected any more than in 1974 the fast-track authority represented some break in the Executive role in trade. It did not. From 1934 on, since the time of the Reciprocal Trade Agreements Act, the President has had one form or another of negotiating authority delegated to him by the Congress in the aftermath of the fearsome experience of the Smoot-Hawley Tariff Act of 1930, when we brought a tariff bill to the Senate floor and in the end disabled our own economy, or helped to do, and set the world economy into a downward spiral. If you would list five events that led to the Second World War, the Smoot-Hawley Tariff Act of 1930 would be one. And we have not had a tariff bill in the Chamber as such since 1930. We have proceeded in this mode, through periods of trade surpluses, trade deficits and relatively evenly balanced accounts.

The most important thing to state is that the current trade deficit is not a result of trade policy. It is a result of budget policy. It is a result of the decisions which I think now are behind us in which during a long 15 year period we incurred an enormous national debt in consequence of a long sequence of very large budget deficits. This is not to say that the budget deficit is the only determinant of trade deficit, but it is the key indicator of the matter because it is the relationship between domestic savings, which until this year has been substantially reduced by annual Federal deficits in excess of $100 billion, and domestic investment.

That is the key, but not only factor in the sense of which, as economists would say, the trade deficit is a dependent variable. I have a chart to make this point. It is not any more complicated than most of the charts we bring to the floor these days in the age of television.

In 1975, the United States was a creditor nation. We owned net foreign assets of some $74 billion. By 1996, we had become a debtor nation with a worldwide negative net investment of $871 billion. You go from a surplus to being a net debtor in the amount of almost $1 trillion. Foreign investors have more capital in the United States than we have abroad on balance, and that reflects the increase in our Federal debt.

In 1975, we had a Federal debt of $395 billion. In 1996, we had a Federal debt of $3.733 trillion. The net result was a trade deficit in a manner that is entirely predictable. What we understand about economics, the general consensus of economists is such that if you were to propose that such a change in net budget deficits would take place, the economics profession overwhelmingly would say then your trade balances will change in the same direction.

It is also clear that foreign persons will end up with the dollars that we need to borrow. Given that our savings rate is so low because our deficits are so high, foreign persons will end up with dollars to lend us only if they export more to us than we export to them.

Last week it was noted on the floor that an October 1997 report entitled ''The Trade Deficit: Where Does It Come From And What Does It Do?'' by Peter Morici, of the Economic Strategy Institute, a group founded in 1989, in effect challenged the traditional mainstream economic view that trade deficits are closely related to the imbalance between domestic savings and domestic investment. Again, I say, Mr. President, it is the mainstream view of economists that this is a pattern that is almost automatic; that the trade deficit is a dependent variable related to the level of domestic savings.

I am not going to argue, dispute the fact that the causes of the trade deficit are complex. To quote from Dr. Morici's report, he says, ''History seems to confirm the importance of multidirectional causality.''

Here is an able economist looking at the conventional wisdom, which I have been setting forth, and saying, ''No, matters are more complex than that,'' which one welcomes. That is how any science, any field of inquiry advances. When persons challenge the accepted judgment of the time, sometimes a new paradigm emerges.

But, in arguing the importance of multidirectional causality, Dr. Morici does not deny the importance of the deficits of the early 1980's. He writes.

> . . . the combination of Reagan Administration tax cuts and new defense spending increased the combined government current and capital account deficit from $34 billion in 1981 to about $146 billion in 1983, and the demands imposed by the U.S. Treasury on capital markets drove U.S. interest rates well above German and Japanese levels.
>
> High U.S. interest rates served the purpose of attracting foreign private investment to finance growing U.S. government deficits. * * *

I will take the liberty of repeating that sentence: ''High U.S. interest rates served the purpose of attracting foreign private investment to finance growing U.S. government deficits.''

> In turn, these foreign private capital flows created much increased demand for dollars in foreign-exchange markets and the real exchange rate for the dollar rose more than 50 percent. In large part, it was the appreciation of the dollar that caused the trade deficit to rise from $16 billion in 1981 to more than $100 billion a year from 1984 to 1988.

Dr. Morici's analysis points to the causality. It may be more complex than we now suppose, but basically, if you have as large a budget deficit as we ran in the 1980's, you will raise interest rates, your dollar will appreciate, and the result is a trade deficit.

Earlier, I was commenting with my friend from Michigan, Senator LEVIN, that the strong dollar of the 1980's seemed to many people a statement that somehow we had a strong economy. Just the opposite. And Senator LEVIN suggested, if we can, we get rid of that usage ''strong dollar'' or ''weak dollar' as if they were some reflection on the general state of the economy as against the price of money, which is what it is all about.

What has puzzled many is why the process has not reversed since we have brought the deficit down. Why hasn't the trade deficit declined as the budget deficit has declined? This is a fair question. However, economists have never argued that budget deficits caused trade deficits but, rather, that trade deficits result when domestic saving is not sufficient to support domestic investment.

In the early 1980's, it was easy to identify the huge Federal budget deficits as the source of the savings shortfall. Now it is more complex, but let me note several factors. We have a strong economy with expansion now in its seventh year. For the first time in

10 years the growth of real gross domestic product has averaged more than 4 percent for four quarters. Not unexpectedly, with a strong economy straining at full employment, investment has increased over the past 5 years from about 9 percent of GDP to 10 percent as firms strive to meet demands by adding new plants. At the same time—and here is a mystery for which you will find no explanation on the part of this Senator—at the same time, private saving has declined from about 16 percent of GDP to about 15 percent during this period. That is why, during the period 1992 to the present, the trade deficit as a percentage of GDP has not declined, even as the budget deficit has fallen dramatically.

In an op-ed article last month in the Wall Street Journal, Robert Eisner, a distinguished professor emeritus at Northwestern University and former president of the American Economic Association, reminded us of the gains from trade that accrue to all nations. He wrote:

> The U.S. has the mightiest economy in the world, and generally the most productive. The classical economic law of comparative advantage, going back to David Ricardo, tells us that, even if a country is more productive than other countries in all areas, it can gain from trade. It does so by specializing in those industries in which it has the greatest advantage, and exporting their products. It then imports from others the products of industries on which it has a lesser advantage.

Even though there is an advantage in both cases, you maximize by concentrating on the most pronounced.

As Professor Eisner notes, the United States has the mightiest economy in the world. We are in a period of unprecedented economic expansion with real growth at 4 percent; unemployment at 4.7 percent, a 24-year low; measured inflation of about 2 percent and a budget deficit rapidly approaching zero. Our economy is the envy of Western Europe and Japan. On average, G–7 countries have roughly half our growth rate and half again as much unemployment.

While undesirable in the long run, our trade deficit has not undermined our economy. As the chart makes clear, there appears to be no relationship between the size of the trade deficit and the unemployment rate. The unemployment rate has gone up and down, up and down. It was very high in the early 1980's when the interest rates were very high, and the Federal Reserve Board undertook to break the inflation at the time, and now down to the lowest level in 24 years. In the meantime, this trade deficit has grown. But as should be very clear from this chart, there is no relation one to the other. It is not a causal relationship of any kind. At least, it has not been established as such, and I do not think it is possible to do so.

U.S. industrial production increased 18 percent from 1992 to 1996. Over the same period, U.S. manufactured goods exports increased 42 percent, agricultural exports grew by 40 percent, and service exports by 26 percent. These are not the signs of economic weakness, notwithstanding the trade deficit.

Finally, I make the point that if there is one cloud over the horizon with respect to the trade deficit, it is the looming retirement of the baby boom generation. With this in mind, I agree that it would be preferable to run trade surpluses to accumulate assets abroad so that the burden of financing the retirement of the baby boom generation can in part be financed with earnings from those foreign assets. Last week I introduced a Senate resolution which resolved that:

> It is the sense of the Senate that:
>
> (1) any unified budget surpluses that might arise in the current expansion should be used to reduce the Federal debt held by the public; and
>
> (2) to achieve this goal during this economic expansion that there be no net tax cut or new spending that is not offset by reductions in spending on other programs or tax increases.

Adoption of that resolution and the policies it suggests will increase national savings, as we should during an expansion phase of the business cycle. Even if one believes, as the Economic Strategy Institute report suggests, that mainstream economic theory does not adequately explain the trade deficit, that view does not require one to oppose fast track. In fact, Mr. Clyde Prestowitz, president of the Economic Strategy Institute, supports this legislation. In an op-ed article in the Washington Post last month, Prestowitz wrote:

> Congress must give the President fast track. It is inconceivable that the United States will not be at the table when the globalization cards are dealt.

Inconceivable last week. Very near to probable today, I have to say with great regret. But it is a point to be made that in the U.S. Senate, by 2-to-1 margins, we have supported fast track, and should there be a change of spirit in the other body, we will be here in that same position, hoping to be of service and knowing the consequences of failure on all our parts.

With that, Mr. President, I ask unanimous consent the Prestowitz article be printed in the RECORD, and I yield the floor.

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

[From the Washington Post, Oct. 9, 1997]

KEEPING ON TOP OF TRADE

(By Clyde Prestowitz)

President Clinton needs the "fast-track" authority he has requested from Congress to keep the United States involved in the critical international negotiations that are reshaping the world economy. But to persuade reluctant members of Congress to go along and to be able to negotiate effectively, he also needs to articulate a comprehensive, concrete global action plan.

Today's trade negotiations are akin to the arms talks of the Cold War era, for in the age of geo-economics they will determine the balance of power just as surely as did the political and military bargaining of the past. The United States must be at the table when the deals are being done.

Just as important, however, is the ability to deal intelligently from a position of strength and to ensure actual fulfillment of bargains once they are struck. So far the fast-track debate has focused on whether or not the president should be compelled to demand adherence to certain environmental and labor standards by our trading partners. These are no doubt important issues and worthy of debate, but they are likely to be irrelevant if the United States is not equipped to analyze, negotiate, monitor, finance and enforce potential deals as well as its trading partners.

In the past, this has not always been the case, and as the administration now requests authority to enter the most complex trade talks it has ever attempted with China, Latin America and the World Trade Organization, the shape of the U.S. global economic team and effort can only be described as anemic.

For example, the President's Commission on Trade and Investment in Asia, on which I served as vice chairman, reported in April that despite rapidly rising exports, U.S. firms are actually losing market share in Asian markets because U.S. exports are not keeping up with market growth. Indeed, during the past 10 years, the growth of European exports to Asia has far outstripped that of U.S. exports. Reasons for this were found to be inadequate. Export-Import Bank financing, the virtual elimination of U.S. aid donations in the region, the absence of U.S. concessionary loans, the closure of consulates and inadequate staffing of business-promotion positions at U.S. embassies.

Beyond these inadequacies in Asia is the fact that the U.S. international economic team in Washington is too lean to be mean. In the Office of the U.S. Trade Representative, only two professionals make up the staff of the section dealing with all of the negotiations with China. The Commerce Department's China office has only four people left after recent budget cuts. The trade representative's Japan office also has only two people to deal with the enormous range of issues that continually arise with Japan. Six attorneys struggle to keep on top of the 36 cases the United States is currently litigating in the World Trade Organization.

Another example of U.S. organizational weakness became apparent last year when the American Chamber of Commerce in Japan conducted an evaluation of all the various trade agreements between the United States and Japan over the past 20 years. This turned out to be a more difficult task than initially anticipated because chamber officers could find no one in the U.S. government who had even a list of all the deals—much less any idea of whether their terms actually were being observed. After the chamber complied its own list and polled industry negotiators, along with current and past government negotiators, it concluded that, of 45 agreements, only 13 were being fully implemented. Based on its review, the chamber made several recommendations regarding how to achieve better success in future negotiations. Among other things it called for concrete, measurable objectives, better industry and country knowledge and language skills among U.S. negotiators, and persistent follow-up of agreements once made. With the U.S. trade deficit with Japan exploding again, these recommendations take on added urgency.

Congress must give the president fast track. It is inconceivable that the United States will not be at the table when the globalization cards are dealt. But the United States also must have the means and a plan to mount a serious international economic effort rather than simply negotiating agreements that are not enforced and that no one remembers.

Mr. BENNETT addressed the Chair.

Mr. LEVIN. Will the Senator from Utah yield for a unanimous-consent request? I ask unanimous consent that immediately following the remarks of the Senator from Utah, that I be recognized for up to 15 minutes in morning business.

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

Mr. BENNETT. Mr. President, may I inquire as to the parliamentary circumstance? Are we in morning business?

The PRESIDING OFFICER (Mr. BURNS). The Senator is correct. The Senate is in morning business with Senators permitted to speak for up to 10 minutes.

Mr. BENNETT. May I ask unanimous consent that I be allowed to continue for up to 20 minutes, if that becomes necessary?

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

The Senator from Utah is recognized.

Mr. BENNETT. I thank the Chair.

(The remarks of Mr. BENNETT pertaining to the introduction of S. 1518 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

Mr. JOHNSON. Mr. President, I ask unanimous consent to speak in morning business immediately following the remarks of the Senator from Michigan.

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

Mr. LEVIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan is recognized for 20 minutes.

Mr. LEVIN. I thank the chair.

PRIVILEGE OF THE FLOOR

Mr. LEVIN. Mr. President, I ask unanimous consent that Gail Perkins be granted privileges of the floor for the balance of morning business.

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

MISSING HEARINGS FROM THE SENATE CAMPAIGN FINANCE INVESTIGATION.

Mr. LEVIN. Mr. President, on the last day in October, Senator THOMPSON announced that the Senate Governmental Affairs Committee was suspending its campaign finance hearings in part because the committee did not have the caliber of witnesses and information to justify continuing the hearings.

Mr. President, the Democrats on the Governmental Affairs Committee were promised 3 days of hearings during September or October on a number of unexamined issues involving important events during the 1996 elections. Had that commitment been kept, one of the days would have been spent looking at the largest single transfer from a political party to a tax-exempt organization in the history of American politics—$4.6 million, which the Republican National Committee gave to Americans for Tax Reform in October 1996, the final month before the 1996 elections.

As this chart shows, over two-thirds of the money which ATR received in 1996, this tax-exempt organization, over two-thirds of that money came from the Republican National Committee. The size of this transfer is unprecedented. There is no record of an American political party giving even $1 million to a tax-exempt organization, much less four times that amount.

If the Democratic National Committee had given $4.6 million to a labor union or environmental group in the month before the 1996 elections, I have no doubt that there would have been a searching investigation of the facts, if not full scale public hearings—and it would have been totally appropriate. But here—where the money was paid by the RNC to a tax-exempt group whose efforts were aimed at attacking Democrats—not a single hearing witness was called. Worse, the Governmental Affairs Committee failed to interview a single person from either the Republican National Committee or Americans for Tax Reform about this transfer. Given its mandate, the Committee's failure to investigate the $4.6 million was a highly partisan act which denied the Senate and the American public important information.

But even without depositions or interviews or testimony, there is enough evidence through publicly available documents and the limited document production by the RNC, ATR, and some banks to piece together the outline of a coordinated campaign effort involving ATR that appears to circumvent hard and soft money restrictions, to duck disclosure, and to misuse ATR's tax-exempt status—all of which calls out for an appropriate investigation by the Department of Justice and the Treasury Department.

Let's begin with what was said at the time about the $4.6 million transfer. In public statements, both RNC Chairman Haley Barbour and ATR President Grover Norquist denied that the money transfer was part of any coordinated effort between the two organizations. Mr. Barbour told the Washington Post on October 29, 1996, that ''he had no understanding with Norquist about how the money would be spent,'' while Mr. Norquist told the press that he had made ''no specific commitment'' to the RNC on how ATR would use the money. In short, the two principals would have the American public believe that in the final weeks before election day 1996, the RNC gave away $4.6 million to a supposedly nonpartisan, independent organization with no understanding or expectation as to how that money would be used.

Not only does common sense tell us that this is unlikely, but the facts and documents behind this transaction indicate that it simply was not so.

Let's look at what was happening around the time the money transfer took place. For months prior to election day, Haley Barbour and the RNC had been complaining about a television ad campaign funded by organized labor and others criticizing the Republican Party on the issue of Medicare. The RNC and Haley Barbour were telling anyone who would listen that the ads were distorting the facts and that Republicans were not out to cut Medicare. And yet, the RNC waited until October, the final month before the election, to start spending funds to respond to those ads. Here is Haley Barbour, at an October 25, 1996, press conference, explaining the RNC's decision to delay spending:

> [W]e made the decision not to borrow money last year or early this year in order to try to compete with the unions and the other liberal special-interest groups' spending. You see, our campaigns do come into the real election season late September and October without having spent all the money that—to match what the unions were doing. And you will see us—you are seeing now, and have been throughout the month of October, you are seeing Republicans using the resources that we've raised in voluntary contributions to finish very strong, to make sure our message is in front of voters when they are making their voting decisions.

What steps was the RNC taking to ensure that its message was in front of voters when they are making their voting decisions in October? One step was to funnel $4.6 million in soft money to ATR which used the money on a massive direct mail and phone bank operation, targeting 150 congressional districts with 19 million pieces of mail and 4 million phone calls.

The subject of the ATR mailings and phone calls was just what Haley Barbour referred to in his statement to the press—Medicare. The title of one ATR mailing says it all: ''Straight Facts About You, Medicare and the November 5 Election.'' This mailing urged senior citizens to ignore political scare tactics and stated ''[t]here's barely a difference between the Republican Medicare Plan and President Clinton's Medicare Proposal.''

Did the RNC know what ATR was going to do with the $4.6 million? Haley Barbour and Grover Norquist told the American public no, but let's look at a document produced by the RNC entitled, ''Memorandum for the Field Dogs.'' I ask unanimous consent that this document and others I will mention in my statement be included in the record after my remarks.

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

(See Exhibit 1)

Mr. LEVIN. This ''Memorandum for the Field Dogs'' is a document which, again, came from the files of the Republican National Committee and states the following in its entirety:

> Re: Outside Mail and Phone effort,
>
> Attached is a rotten copy of the 1st of 3 mail piece[s] that will be sent to 150 selected