The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

INCREASING THE PUBLIC DEBT LIMIT—Continued

The ACTING PRESIDENT pro tempore. Who yields time?

The Senator from North Dakota.

Mr. CONRAD. Mr. President, I rise to discuss the extension of the debt limit. First of all, I thank my colleague from Montana for his great courtesy in allowing me to go first, because we have a hearing in the Indian Affairs Committee, so I thank my colleague from Montana for this courtesy.

Before us is a proposal to extend the debt limit by $800 billion. I will oppose that expansion of the debt limit because there is no plan to reduce the deficits and the increase in the debt we are now facing.

I think it is a mistake for this body to extend the debt limit by $800 billion without a plan to get the deficits under control, to get the debt under control. Instead, what we are doing here is writing another blank check and saying to this administration: Go ahead, continue to run record budget deficits. Continue to increase the national debt. Do not worry about a plan to reduce this increasing dependency on foreign governments, on foreign citizens. Forget about fiscal responsibility.

An $800 billion increase in the debt. Now, make no mistake, we need to extend the debt limit. We have to pay the bills of the United States. So there is no question that we need to extend the debt limit. The question is, by how much. The question is, should we not only do it with a plan to reduce this dependency on borrowing.

I believe the answer to those questions is absolutely. We ought to insist that there is a plan to get the deficit under control. We ought to insist there is a plan to reduce the buildup of debt. We ought to insist that this administration and this Congress face up to the mounting challenges facing this Nation.

To review the dramatic change in our fiscal condition, in January of 2001, we were told we could expect over the next 10 years nearly $6 trillion in surpluses. Now we are told, just 3 years later, nearly 4 years later, instead of trillions of dollars of surpluses, we can expect trillions of dollars of deficits, over $3 trillion deficits. That is a change in our fiscal condition in 4 years of $9 trillion. If that does not cry out for a response, if that does not cry out for this Congress and this administration to come up with a plan to address these burgeoning deficits and debt, I do not know what would require a response.

If we look at the last 4 years, we can see that in 2001 the Federal Government ran a surplus of $127 billion. In 2002, that had turned to a $158 billion deficit. In 2003, that deficit had exploded to $377 billion—the biggest deficit in dollar terms in our Nation's history—and now in 2004, another record deficit, a deficit of $413 billion—record red ink and no plan to address it.

The President has told us, told us repeatedly, that he has a plan to cut the deficit in half over the next 5 years. Do not believe it. Do not believe it any more than the claims the President made that there would be no deficit if we adopted his fiscal plan. The President told us—in fact, the President assured us—that we could count on a record paydown of the debt if we adopted his fiscal plan. Well, we did, and he was wrong because not only have we not had record paydown of the debt; what we have had is a dramatic increase in the debt. As we look ahead, here is what we see the deficit looking like over the next 10 years. I do not see any cutting of the deficit in half. The only way the President gets to his claim that he is going to cut the deficit in half is he leaves out things. He leaves out war costs. He leaves out the need to address the alternative minimum tax. He leaves out the effect of his own tax proposals.

If we take all of those into account—making the tax cut permanent, which the President has recommended; his defense buildup; the alternative minimum tax reform; and ongoing war costs—this is what we see, as the deficits going forward, in the amount that is actually going to get added to the debt every year. This is an ocean of red ink facing this country. Part of the reason, as I have indicated, is that the President, I am afraid, hid from the American people the true effects of his policies.

One way he has hidden it is he has changed from 10-year budgeting to 5-year budgeting. Here is why I believe he did that. This shows the cost of extending the tax cuts as the President has proposed. This dotted line on this chart shows the end of 5 years. But beyond the 5 years, the effect of the President's tax proposals explode in cost. That is the nature of the President's tax proposal. The cost explodes outside the 5-year budget window, just beyond the view of those who are responsible for making budgets for this country. The result is that the red ink the President has promised to reduce will explode right beyond the 5-year budget window.

It is not just with respect to the tax cut proposal, but we see the exact same pattern with the alternative minimum tax. The alternative minimum tax is the old millionaire's tax, which is now affecting 3 million taxpayers. In the next 10 years, it will affect 30 to 40 million taxpayers. It has to be dealt with. The President only provides funding to address this crisis for 1 year.

But look at the pattern of cost. Again, right beyond the 5-year budget window, right beyond this dotted line, which represents the next 5 years, the cost of fixing the alternative minimum tax absolutely explodes, at a cost of over $600 billion. The President does not have that in his budget.

Nor does he have the true cost of the war effort. We have had $25 billion put in a contingent reserve for fiscal year 2005, but we know that is a fraction of the cost. The Congressional Budget Office tells us that the true ongoing cost of war is over $315 billion. None of it is in the budget, other than the $25 billion. None of this $315 billion, other than the $25 billion down payment, is reflected in these numbers in which the President assures us he is going to cut the deficit in half.

I am told the Pentagon is about to propose, the administration is about to propose an additional $70 to $75 billion in a war cost supplemental some time early next year.

I think this hiding of the true financial condition of the country is wrong, and I think it is reckless.

The President told us when we adopted his fiscal plan: I can fully protect Social Security. I won't be taking Social Security money and using it for other purposes. Wrong again. The President is taking every dime that is available to take from Social Security over the next decade—$2.4 trillion—and using it to pay for other things. Mr. President, $2.4 trillion, every dime of which has to be repaid, and the President has no plan to do so.

It is not just there that we see the problem. We also see that the President has a plan to privatize parts of Social Security. Most of the estimates are they would cost some $2 trillion in transition costs. Again, the President has no plan to pay for it other than to borrow the money to do it. More borrowing, more deficits, more debt: no plan to address the issue. These decisions have real consequences.

We can see all of this is happening at the worst possible time, right before the baby boomers start to retire. The baby boom generation is out there. It is not a projection. They have been born. They are alive today. They are going to retire. They are going to be eligible for Social Security and Medicare.

This is what it looks like when you plot the increase on a graph of those who are going to be eligible for Federal benefits. Right now, we have around 40 million people who are eligible, but over these next years the number is going to double. This is the dramatic demographic timebomb that is out there with the baby boom generation.

When we look at the long-term implications—this is not a projection by this Senator or a projection by the Democrats; this is a projection by the Congressional Budget Office—the long-term budget outlook in terms of the effect on deficits, what they show is some improvement over the next couple of years but then an explosion of deficits and debt if the President's proposals are adopted.

We have record deficits now, the biggest in dollar terms in our history, and they pale in comparison as to what is to come if the President's proposals are adopted. There is no response. There is no response from the Congress of the United States. There is no response by this administration to these growing deficits and debt. It is just more of the same, business as usual, steady as she goes. That is a risky course for this country.

We remember so well the President telling us there would be maximum paydown of the debt if we adopted his fiscal plan. Instead of maximum paydown of the debt, we see the debt exploding.

The gross debt of the United States was less than $6 trillion when he took office. We now see, by 2014, that debt will approach $15 trillion—a stunning reversal in the fiscal condition of the country. In just these 3 years, there is an increase in the debt limit of $2.2 trillion under President Bush; an increase, in 2002, of the debt limit of $450 billion; in 2003, of $984 billion; and now another $800 billion. Mr. President, $2.2 trillion, after we had, from 1998 to 2001, no increase in the debt limit, none.

Now, the President describes these policies as compassionate conservatism. I do not know where the conservatism comes in. I do not know what is conservative about exploding the debt of the Nation. I do not know what is conservative about running up record deficits—and not just at a time of economic slowdown but even now, as the economy is recovering, deficits as far as the eye can see.

The result of these policies, the result of this increase in deficit and debt is soaring Federal interest costs. From the estimate in January of 2001 that the interest cost over the next 10 years would be some $600 billion, now estimates are that the interest cost to the Federal Government over that same period will be $2.4 trillion, from an interest cost projection of $600 billion to $2.4 trillion. That interest does not build a bridge, does not construct a highway, does not finance an aircraft carrier or a tank. That is money just to service the debt.

These massive increases in deficits have enormous implications, not only for our finances but for our economic strength. Deficits and debt will ultimately slow economic growth. This is a quote from the CBO Director, Douglas Holtz-Eakin, before the Senate Budget Committee last year.

Mr. Holtz-Eakin is an appointee of the Republican majority in the Congress. He came from the President's own economic advisory staff. He said this:

> To the extent that going forward we run large sustained deficits in the face of full employment, it will in fact crowd out capital accumulation and otherwise slow economic growth.

Mr. President, that is why these decisions matter. This is not just numbers on a page. This isn't just graphs. This is not just pictures on a chartboard. These decisions have a real impact on the economic health of this Nation, on the creation of jobs, on the development of economic opportunity, on the future economic prospects of our Nation and, fundamentally, of the economic strength of America.

I don't believe we can be militarily strong if we are financially weak. This President has us on a course to financial weakness. Make no mistake about it, these higher interest rates will burden families. For the typical American family, a 1-percent increase in interest rates will raise the payment on a 30-year home mortgage of $150,000 by $1,200 per year. When the Federal Government has to borrow more money, that puts it in competition with the private sector for borrowed funds. When that happens, that forces up the cost of borrowing. The more demand for money, the more interest costs have to go up. That is true especially at a time of economic recovery.

Mr. President, these decisions have real consequences in the lives of real people. I believe paying down debt is also a moral values issue. The President said himself in 2001:

> Future generations shouldn't be forced to pay back money that we have borrowed. We owe this kind of responsibility to our children and grandchildren.

On this issue, the President was right. We should not pass on these debts to future generations. But that is now precisely what the President is doing—again, not at a time just of economic slowdown; we have now got a resumption of economic growth. Yet the President proposes more and more deficit, more and more debt. I think it is a mistake. I think it is a mistake for this body to extend the debt limit in an almost unlimited way, by $800 billion, without any requirement for a plan to address these burgeoning deficits and debt.

The deficits we are running are not just budget deficits, they are also trade deficits—approaching over $650 billion in the most recent year. Not only are we running a budget deficit of over $400 billion, we are also running a trade deficit of over $650 billion, or in that range.

Where is the money coming from in these massive deficits? Well, we are borrowing the money, as I indicated, from the Social Security trust fund—some $2.4 trillion over the next 10 years. We are also borrowing from countries all around the world. We have borrowed over $700 billion from Japan. We have borrowed over $170 billion from China. We have borrowed $100 billion from the so-called Caribbean banking centers. I think many in America would wonder what is going on here. We are borrowing money from Caribbean banking centers? We have borrowed over $60 billion from South Korea. Who would have believed it? Growing up in North Dakota, I would never have believed we would be out with a tin cup borrowing money from countries such as South Korea.

Mr. President, here is what has happened under this President in terms of foreign holdings of our debt. They have increased by 83 percent in just less than 4 years of this administration. Prior to this administration, total foreign holdings of U.S. debt were just over a trillion dollars. In less than 4 years, that has now increased by over 80 percent. We are now approaching $2 trillion of foreign-held debt.

Mr. President, who cares? What difference does it make? I have had a chance to go and teach classes in my home State at the universities and colleges. I have asked them what difference does it make if we are deeper and deeper in debt to other countries? Well, the response of those students has been overwhelming and clear. They have said: Of course, it makes a difference. How does it change any relationship if you are borrowing money from people? It makes you dependent on those people. It means you are less able to challenge them on unfair trade practices. It means you are less able to confront them if we are faced with a military confrontation.

I noticed with great interest a New York Times article of Tuesday, October 19, headlined, ''Private Investors Abroad Cut Their Investments in the U.S.'' It indicated that ''Asian central banks bail out America, a nation of spenders rather than savers.''

The U.S. economy is now increasingly dependent on a handful of foreign central banks for our economic stability and security. This is a vulnerability for our country. To more and more owe money to foreign nations and foreign central banks puts them in a stronger position with respect to America's economic future and puts us in a weaker position.

In that article, it indicated:

> New data accentuated how dependent the United States has become on purchases of dollar securities by the Chinese and other Asian governments with links to the dollar. ''Foreign central banks saved the dollar from disaster,'' said Akhraf Laidi, chief currency analyst of the MG financial group. He said, ''The stability of the bond market is at the mercy of the Asian purchases of U.S. treasuries.''

We are at the mercy of foreign central banks, of Asian central banks. I don't think that is where we want to be. I don't think that is where we want to be as a nation, dependent on foreign central banks. In that same article, the New York Times indicated that a large amount of foreign-held debt could lead to economic turmoil. Here is what it said:

> A disorderly situation would occur if foreign money dried up suddenly when the United States still needed it.

Let's think about where we are headed here.

> Then, the adjustment in the American savings might happen involuntarily. Interest rates would rise sharply, and the dollar could fall abruptly. This could induce a sharp economic contraction, even stagnation.

Mr. President, what are we doing here? There is absolutely no response from this Congress or this administration to this gathering financial threat. No response. The only response is: Let's go borrow more money. Let's increase the debt more.

This article appeared in the Wall Street Journal on November 8, headlined, ''Dollar Lacks Backers as Deficit Worries Dominate.''

This article asks the question:

What is going to prop up the sliding dollar?

It went on to say:

Despite unexpectedly strong job creation and another jump in the stock market, the dollar dropped against key currencies . . . breaking through the record low against the euro set nine months ago.

Currency strategists say the dollar's inability to capitalize on news of 337,000 jobs created in October reveals the market's skepticism about whether a second term for President Bush will reverse deficit spending and a reported current-account deficit—

That is our trade deficit—

the broadest gauge of the nation's balance of payments.

We are here, steady as she goes, headed right for a potential fiscal crisis, and there is no response.

Here is what happened to the value of the dollar against the Euro since 2002: The dollar has dropped 30 percent against the Euro in that time. This is a warning. This is a warning, I say to my friends. People are losing confidence in the fiscal policy of the United States. This has potentially ominous consequences that I think we all understand.

The CBO Director believes deficits can no longer be blamed on just a weak economy. He said:

Policy choices will determine where we go. We will not grow our way out of this. It is no longer the case that we can blame everything on the economy.

I talked about the budget deficit. Here is the U.S. trade deficit. Same pattern: explosive growth in our deficits, both budget and trade, requiring more and more foreign borrowing, making us more and more dependent on the decisions of foreigners as to our economic stability and strength.

Today in the Washington Post, Robert Samuelson, an economist, wrote an article headlined, ''The Dangerous Dollar.'' He points out the risks to our country of what could happen if there was continuing flight from the dollar and a collapse in its value. He points out the risk to this country and says:

No one knows what will happen. The massive U.S. payments deficits could continue for years, with foreigners investing surplus dollars in American stocks and bonds. Gradual shifts in currency values might reduce the world's addiction to exporting to the United States. Or something might cause a dollar crash tomorrow. In that case, massive intervention by government central banks . . . might avert a calamity. Or it might not. We're in uncharted waters. If we hit a shoal, it will be bad for everyone.

The warning is clear. The risks are there. The question is: Do we just stay on this current course, or do we respond to this growing threat? I think it is inappropriate to extend the debt of the United States by $800 billion without a plan to reduce this dependency on foreign capital.

I thank the Chair and yield the floor.

Again, I thank my colleague, Senator BAUCUS, the ranking member of the Finance Committee, for his courtesy in allowing me to speak first so that I may make a hearing going on in the Capitol complex.

The PRESIDENT pro tempore. The Senator from Montana.

Mr. BAUCUS. Mr. President, the Senate is here today to respond to the administration's request once again to increase the statutory limit on the Federal debt. More fundamentally, we are here in response to a warning. Like a proximity alert on an aircraft, the debt limit warns the Government is headed for a crash. We need to change course.

Unless we change course, the administration's fiscal policy will consign American families to a lower standard of living. Unless we change course, American workers will have lower incomes than they would otherwise have, and the dollars they earn will be worth less than they otherwise would have been worth.

Unless we change course, millions of Americans will live poorer lives. That is what we are really debating today when we debate the debt limit, and that is why I shall vote against the bill, to signal that we must change course.

Narrowly speaking today, we are considering the ceiling on Federal debt, the cap that the law places on borrowing by the Federal Government. The legislation before us would raise the debt ceiling to $8.184 trillion. It would increase the debt ceiling by $800 billion.

As this chart to my left shows, it will be the third largest increase in the history of the country. This chart indicates debt limit increases since 1982, and in roughly 1990, it was $915 billion, and then the highest was $984 billion, and this $800 billion is the third highest increase in the debt ceiling. Unfortunately, this large debt ceiling increase, and particularly the recent increases, are becoming all too common.

Just last year we were forced to raise the debt ceiling by a record $984 billion. Almost $1 trillion in additional Federal borrowing, that limit was raised in 1 year. In just the year before that, the debt ceiling had to be increased by $450 billion. That is more than $2.2 trillion in debt in just 3 years. In contrast, prior to those 3 years, there had been no increase in the debt ceiling for 5 years.

An increase of $800 billion of debt that is requested in this legislation before us means $2,700 more debt for every man, woman, and child in America, and a total of $8 trillion in total debt means about $25,000 of debt for every man, woman, and child. That is a $25,000 burden on each of us, our children, and our grandchildren.

I believe that each of us who runs for public office and serves has a moral obligation, and that obligation is to leave this place in as good a shape or better shape than we found it. It is that simple. As this President and this Congress keeps piling up more and more debt, clearly we are leaving this place in worse shape than we found it. We are putting a huge additional obligation and burden on our successors and upon, more importantly, the people we represent and, even more importantly, those who follow the people we represent. That is not the moral, correct thing to do. My judgment is that it is not only not responsible, it is irresponsible.

This chart shows per capita total Federal debt outstanding. This is per capita, on a per person basis in America. It has steadily been rising from 1997 from close to $20,000 to more than double, to $25,000 being asked for today.

Today's increase also will not be the end of large increases in the debt ceiling. It will not be the end because before the next year runs out, we will need to raise the debt ceiling once again.

The reason for these record increases in the debt ceiling is the record Federal budget deficits that our Government is running.

To clarify for those who may be unsure about the terminology here, the term ''deficits'' obviously means annual deficits that this Government runs, and the term ''debt'' means the accumulation of all the deficits. That is why the deficits sound a little less. It is some $400 billion, whereas the total publicly held debt is over $8 trillion.

I must add to this, I don't want to lay the blame totally in the hands of the President, but the President submits budgets to the Congress. Congress tends to work with the budgets that the President submits. Every year the President submits a budget and Congress does work around the edges, maybe add a little, subtract a little, but it is Presidents, not Congress, in the main, who actually determine the amount of either surplus or the amount of deficits that are actually enacted. It is primarily the Presidents.

Since the current administration took office, there have been record annual surpluses that have turned into record annual deficits. In the fiscal year 2001—that is the transition year between the two administrations—the Federal Government ran a surplus of $127 billion, a surplus. We actually ran a surplus of $127 billion in fiscal year 2001. For the next year, 2002, the first full fiscal year in the current administration, the Government ran a deficit—not a surplus but a deficit—of $158 billion. In the next fiscal year, the Federal Government ran a record deficit of $377 billion. Last year, in fiscal year 2004, there was yet another record deficit of $413 billion.

This chart basically outlines what I just said; namely, we start with a reduction in Federal debt. That is the total. Beginning about 2001 it starts skyrocketing back up again.

These record deficits are even more painful when they are compared with the record annual budget surpluses that preceded them. In fiscal year 1998, the Government ran a surplus of $69 billion. This was a record budget surplus at the time and the first budget surplus since fiscal year 1969.

In fiscal year 1999, this was another record surplus, $126 billion. That was followed by yet a third record surplus of $236 billion in fiscal year 2000. So we had 3 years of growing surpluses. So in just 4 years, the Government has moved from a record surplus of $236 billion to a record deficit of $413 billion, which is quite a dramatic swing of about $650 billion in our annual Federal budget outcome just over a 4-year period of time.

That is why we are here today. That is why we have to, in a technical level, raise the debt ceiling. It is because we are running record budget deficits. It is that simple.

In contrast, when we were running budget surpluses, the Government was doing what it should do. It was beginning to pay off the debt held by the public. That is what took place the second half of the previous administration. So between 1998 and 2001, our Government paid off about $450 billion worth of debt. Indeed, when the current administration took office, there was serious talk that all debt held by the public would be paid off within about 10 years or so. I think we all remember that. Gosh, if we totally pay off our national debt—is that possible? People were saying it would be bad if we paid off our total national debt. But we were on the glidepath at that time, a few years ago, to pay off the national debt, and there was very serious talk about what would we do when we got down to zero national debt. How soon we forget.

What a sad turnaround we experienced. The turnaround can clearly be seen in this chart here which outlines the dramatic change. Our national debt was steadily coming down as we had annual deficits and we were using the deficits to pay off the national debt. That is what happened in 2001. Then in 2002 and 2003 and beyond it is just the opposite.

Is this going to continue, this trend? Unfortunately, if we are objective about this, I think the answer is yes. The President claims he will cut the deficit in half in 5 years. Indeed, Senator KERRY campaigned for the Presidency and said he would cut the deficit in half in 5 years. But I must say, to be totally candid, those estimates are a little rosy. That is not going to happen.

For example, the independent nonpartisan Concord Coalition projects a deficit of about $450 billion 5 years from now. That will be higher than last year's record. Don't forget the Concord Coalition is known by most Members of Congress as being a fair, objective, nonpartisan organization looking at these matters very closely and very fairly and accurately.

Ten years from now the Concord Coalition projects the deficit will be an astronomical $734 billion. The Concord Coalition says it is going to get worse, much worse, with each passing year and the total deficit, they say, for the next 10 years will be almost $5 trillion. That means the Federal borrowing for the public will be $5 trillion in 10 years, and the debt ceiling will have to be raised by $5 trillion as well just to accommodate that increase.

Some may ask, Does it matter if Federal Government borrowing increases by $5 trillion? Does it really matter? Mr. President, it does. It really matters.

When the Federal Government borrows money from the public, it threatens two bad results. First, the Federal borrowing could compete with borrowing by businesses and consumers. What does that mean? That means that interest rates would go up. They have to go up. They are competing for the supply of money. Borrowing by businesses for new investments would have to go down. Borrowing would have to go down, all things being equal, and with fewer business investments, economic growth would, therefore, decline relative to what it could be.

High interest rates are killers. High interest rates, more than almost anything else, are a drag on the economy. It really slows the economy down and could deepen any recession that might occur.

Conversely, very low interest rates help businesses borrow, help homeowners buy homes, et cetera. It is very good for economic growth. In addition, because of this crowding out effect, our future standard of living could be lower than otherwise it would be.

Moreover, the rise in interest rates caused by increased Federal borrowing would make household purchases by credit more expensive. The increased costs would cause households to have less purchasing power and, therefore, would have to buy less. You may have to postpone or maybe not be at all able to buy that new refrigerator, to buy that new stove, that TV set, whether it is a plasma TV or regular TV, whatever it might be. The increased cost would cause households to have much less purchasing power.

For example, an increase in mortgage rates of just 2 percentage points would increase home buyers' annual payments on a $200,000 home by about $1,700. Potential home buyers would decide whether to buy these homes or, in the alternative, reduce other purchases. In either case, the home buyer's standard of living would be lower.

The second bad outcome that the additional Federal borrowing could cause is that Americans would owe more to foreigners. Foreigners would increase their holdings of U.S. assets. What does this mean? This would lower our future standard of living, as the earnings from American assets would have to go to foreigners, not to Americans. Thus, when the Federal Government borrows more, the standard of living of the American families suffers. It is zero sum, axiomatic; it by definition has to happen.

There is another danger from added Federal borrowing as well. If foreigners, especially foreign central banks—that is the governments, foreign governments—buy a significant portion of our debt, our U.S. economy will be subject to serious jolts, particularly if these lenders decided to sell off that debt precipitously. At the very least, they will have a little hold on us as they increase their holdings of American Treasurys, American securities—which is what they buy mostly these days, partly because it is more liquid, which means they could get rid of them much more easily, more quickly. But they have a little hold on us, a little leverage on us in any trade negotiation, any political negotiation, any foreign policy negotiation with these countries. Whether it is China or Japan or wherever, there would be a little edge because this country might hint that, gee, maybe we might start pulling out our purchases, sell the U.S. Treasurys we have unless you Americans go along with something we want. I am not saying it will be a huge factor. It may be a huge factor. I am saying it will be a factor we would not want to have to deal with.

Suppose the U.S. dollar declines further. It has come down about 30 percent in the last couple of years against the Euro. When the Euro was first announced, the dollar was fairly strong compared to the Euro. Now it has fallen about 30 percent. As Federal debt and interest payments from our national debt are denominated in U.S. dollars, what happens? The value of those assets starts to drop. That is what is happening. The U.S. dollar, compared with other currencies, is starting to fall significantly.

What happens then? Foreigners, including foreign central banks, might be afraid the dollar will go further. That is the trend. It is going down. Why is it going down? Because of the huge deficits and debts. A little less confidence in America. The more it goes down, then central banks in other countries will ask, do they want their dollar-denominated assets, as U.S. Treasury, to decline further? Probably not. So what are they going to do about that? Sell. Sell before they fall. Once they start to sell, what happens? The fall is greater.

That is the danger we are facing. I am not saying this is actually going to happen. Nobody knows if this is going to happen. There is a school of thought that there is so much savings in the world this will not happen. But we all know it is getting more and more risky and more likely this will happen.

If we exercise a little common sense as we run our household, we know there comes a point we cannot continue to borrow. There comes a point when the bank says no. There comes a point when we have to be more responsible as a household. The same is true here. There comes a point when the bank says—in this case it is foreign banks, or in this case the taxpayers—Enough is enough.

We do not know there will be a huge, precipitous decline. We do not want there to be a precipitous, huge decline. If there is, we do not want to know when it is because we do not want it to happen, but we do know if we are irresponsible and turn a blind eye to all of this, it is much more likely to happen and we will pay the consequences and rue the day when we, at an earlier date, did not take the necessary steps to correct this.

There is a real danger that foreign banks, as they look at their hole card, may sell off some of the Federal debt they now hold. Half of the foreign holdings are held by central banks. That would cause a spike in interest rates. Why? Because as they begin to sell, what does the U.S. Government have to do? It has to raise interest rates to keep the companies in America securities. Raise interest rates, and we will have all the other consequences I mentioned earlier—higher mortgage interest rates, consumer interest rates go up, companies cannot borrow as much because the banks are charging them much more. This is not some fringe possibility; this is real.

Why do I say it is real? Why am I very concerned about this? Let me quote the former Chairman of the Federal Reserve, Paul Volcker. He said quite recently he thought there is a 75-percent chance of a currency crisis in the United States within 5 years. Those are odds we do not want to have to deal with.

One of the hardest things to do is managing economic affairs early before you get in real trouble. It is so easy to postpone and put off. It is a bit of an abstraction right now. We do not know what will happen. It does not hit Americans right in the gut. It is not like raising taxes or lowering taxes which people feel immediately in their household budgets. I can guarantee if these problems do occur, and all the evidence indicates it is very likely to occur unless we take some very serious steps today, it is going to hit Americans so hard in the gut, it will have such an impact on Americans that this country is going to have a very serious problem.

Something else we should consider is the international competitiveness we Americans face with other countries worldwide, irrespective of our current deficits and trade deficit—which is humongous, which we will have to pay for sooner rather than later—with other countries. Take China, for example. We graduate in the United States of America about 65,000 engineers a year. Engineers can build new products and help make America strong. Guess how many engineers China graduates each year. Over 300,000 yearly. Are they brighter or dumber than our engineers? No, they are smart, progressive young men and women. And they are hungry. For those who have been to China recently, it is stunning to see the degree to which the Chinese people are hungry. They are going to compete very aggressively on the world market.

We are in a sense almost fiddling while Rome is burning. That is, not only not paying attention to our fiscal problems but also not paying attention to the competitiveness we have around the world; that is, not making sure we have more trained engineers who can do better worldwide. We will find ourselves not too many years from now in a real pickle. I am saying, right now, start taking measures so we do not have huge problems we otherwise would have.

I mentioned earlier central banks, if this trend continues, might decide to change their holdings and Federal debt for political reasons. Not only economic, but also for political reasons. For example, a foreign government might be involved in a trade dispute with the United States. This foreign government would know it could roil markets for the U.S. Federal debt and U.S. economy if a central bank sold a large portion of its holdings of U.S. Federal debt. It knows that. So what does it do? That government or country might hint around or might threaten to sell off, roil international markets, with an adverse effect on U.S. currencies, undercutting the United States' position in that trade dispute.

At the end of September this year, foreigners held about $1.9 trillion of our debt, close to $2 trillion of the total. Japan alone held $720 billion. China was next with $174 billion. Moreover, of $1.9 trillion of total debt held by foreigners, foreign central banks held $1.1 trillion. That is significantly more than half owned and controlled by central government banks. That is the government banks in those countries which, therefore, are in a great position of control. Those total amounts are nearly double the totals of 3 years ago. This has accelerated dramatically, almost double, over the last 3 years. Total debt held by foreigners is now 43 percent of all debt held by the public. Pretty close to half of all our national debt is held by foreigners—not by Americans, but by foreigners—and foreign central banks hold a full 30 percent of all such debt, one-third.

That is significant. Before I got in the Government, I worked for the Securities and Exchange Commission and I can remember back then the controlling interest was 10 percent. We are talking about 30 percent here. That is much more than a controlling interest in an entity's financial position.

The forecast for future Federal deficits and borrowing does not look good. I must add, this is not the worst of it. It gets worse. President Bush, for example, has made it clear he wants to pursue a plan for partial privatization of Social Security. Under that plan, part of a worker's and employer's Social Security payroll taxes we divert into new private savings accounts for the workers. That sounds good, but what does that mean? That means there would be less revenue left in the Federal budget for other spending. The Federal Government would have to borrow more money to cover the difference. That adds even greater pressure on the Federal debt and greater upward pressure on interest rates.

For many of the various partial privatization plans being proposed, these revenue losses would not be small. They would be more than significant, between $150 and $200 billion a year in each of the next 10 years. The losses would be even larger in subsequent years. These revenue losses, these additional revenue losses, and the associated increases in interest costs on top of that, would raise annual deficits to previously unimaginable heights. For example, the annual deficit projected by the Concord Coalition for 10 years from now would rise to over $1 trillion. That is in addition. Federal debt would rise by an additional $2 to $3 trillion in the next 10 years to a total of about $7 to $8 trillion of new borrowing during that period. That is on top—that is in addition—$8 trillion today, double in 10 years.

So we should take two lessons from this dismal picture. The first is we need to exercise true fiscal discipline. That is just common sense. Americans sit around that kitchen table very often—maybe it is weekly, maybe it is monthly—trying to make ends meet. Some cannot keep spending more than they take in each year. Most cannot. No one can continue that indefinitely because at some point the banks just won't lend people any more money. They will insist that existing loans be paid off.

We have bankruptcies. We have chapter 11. We have chapter 7. The point of all that is to stop the hemorrhaging, to pay off creditors to try to get the economic houses of Americans and companies back in order. I am not saying we have to declare bankruptcy. That would be something else, wouldn't it, if the United States of America declared chapter 11 and tried to reorder all the creditors. It is unimaginable, but if that were to happen, just think what would happen to the value of the dollar, what the value of the U.S. dollar would be then.

In the world of borrowing China and Japan now play the role of the banks. They are our bankers. They hold 30 percent of our debt and foreign individuals own another, what, roughly 23 percent of our debt. All of this will force the United States at some point to begin to live within its means—at some point. And it could happen suddenly.

Remember not too many years ago when the financial markets just collapsed. The first was in 1987, I remember, and the stock market just went whoosh. Back in the Asian currency crisis not too many years ago things went haywire immediately. The deck of cards totally collapsed. It doesn't take much, and it is usually unforeseeable. It is usually some little event which is not predictable but which happens which triggers this selloff and collapse.

We do not want that to happen, and it will not happen, it is less likely to happen if we today begin constructing a path where we do live within our means. This increase in the national debt today obviously signals just the opposite. There is no plan at this point.

So I say we would be far better if we were to eliminate our annual deficits on our own rather than having foreigners force us to that point. We can take concrete steps to reduce our Federal budget deficits. We can enact tough but reasonable caps in spending, renewed each year, and we can institute a requirement that all new tax cuts and new permanent spending be fully paid for. We can do that if we have the common sense and if we have the moral courage to do so as we are expected to do by the people who elect us. We could do all this without resorting to gimmicks.

This town, this country, this Government has been full of too many gimmicks—the lockbox for Social Security. There are a lot of gimmicks this President has proposed. We have almost reached the end of our string of gimmicks. We have reached the point of reality. We have to do what is right. We can enact a tough requirement that new tax cuts and new permanent spending be fully paid for. That was in place actually, as you recall, from 1990 until the spring of 2003. This requirement helped the budget turn from deficit into surplus. We should restore that. We should restore that quickly.

The second lesson we need to learn is that we should not enact the partial privatization of Social Security. There are a number of important reasons to stay clear of this. For example, these plans would likely cut total retirement income for many beneficiaries, have the effect of cutting income, not increasing it. Even this lowered income would be subject to great risk in the private market. Social Security, it may not pay hugely but it is stable. It is there. You can count on it.

I know a lot of young people say it won't be there. I disagree with that. I say it is going to be there. Why do I say that? I say that because with each passing year there are more and more voters who are seniors. There are more and more people who are age 55 up to 60 who really care about Social Security. I have forgotten the exact date. I saw one estimate that by about the year 2030 half of all voters will be age 60 or over. I do not know if that estimate is true. It was made by a reputable person—I won't mention his name today but it is someone we all know who is quite reputable.

But in addition to that, partial privatization would dramatically increase Federal borrowing. It would increase annual Federal budget deficits and it would increase the Federal debt. This would further lower both our current and our future standard of living. It would also make the U.S. economy even more vulnerable to recession and it could put the U.S. Government in a vulnerable position, even more so in its relationships with foreign governments. These fiscal dangers alone are sufficient reason to reject the partial privatization of Social Security.

Clearly, we should look for new vehicles to increase savings. We should look for more ways to assure that our seniors are more secure in their retirement. We could bolster Social Security. We could find more private savings vehicles. We could help our pension system. But the partial privatization of Social Security will have the effect of lowering the benefits to those currently 50, 60, 62, or 63, unless there is a massive enough additional borrowing by the Federal Government. And that is the low estimate, $1 trillion over 10 years, and the higher estimate is $2 trillion. That is in addition.

I ask from where is that money going to come? Can we really borrow that much more compared to what we have already borrowed? We cannot.

So we need to respond to the debt limit. I started out saying really technically this is an increase in the debt limit, which is required by statute, but more fundamentally the issue being raised today is how much more can this Government go into hock? That is really the question. And how quickly can we get ourselves out of it?

We need to respond to the warning of the debt limit increase. We need to change course. We need to prevent that crash. We still have time. We should heed Paul Volcker's warning of a 75-percent chance of a currency crisis in the United States in 5 years. I think I know what he is talking about. He may not be right, but if Paul Volcker says that, we should listen. We should take his warning very seriously. We should, obviously, act with a sense of urgency and do what we can to avoid that dangerous result. We should change course now. We should wait no longer. With next year's budget, we have an opportunity.

The President, in his submission to Congress this January, February, whenever it is, in working with the Congress, can begin to chart a proper course, begin to chart a course or begin to actually honestly get our Federal budget deficit under control. We have that opportunity. We have that obligation. The time is now. The time is January when the President submits his budget and the next months when the Congress works with the President as we begin to get our Federal fiscal house in order.

We have to change course so American families can hope for a better standard of living in the future, so American workers can have good jobs with good incomes and we have a strong dollar with real value in the international trade. We need to change course to make all that happen so future generations of Americans lead richer lives.

I will end with the statement I mentioned in the beginning. We have a moral obligation to leave this place in as good shape or better than we found it. It is an obligation we have—I assert whether environmental matters, whether Federal budget—to inspire confidence and togetherness in our people. I urge us very much to take the course of action that we well know is correct.

Mr. President, I now yield 10 minutes to the Senator from Wisconsin, Mr. FEINGOLD, who is a real leader in the fight for fiscal responsibility.

The PRESIDING OFFICER (Mr. CHAFEE). The Senator from Wisconsin.

Mr. FEINGOLD. Mr. President, I thank the Senator from Montana not only for his leadership in the body but for his words about the fiscal situation our country faces. I particularly thank him for his emphasis on the need to return to those important fiscal budget rules, the pay-go rules that guided us so well for so many years. I hope and trust this will be the first of many times he will address the body about the need to get back to that discipline. I intend to do the same here today. I think very few things are more important to our country than to return to the fiscal discipline we actually accomplished on a bipartisan basis during the 1990s after the very reckless policies of the 1980s.

Today we are again forced to consider legislation to raise the Nation's debt limit. It is obvious to anyone but those who refuse to see that we are here because of the grossly reckless fiscal policies that have been advanced by the administration and Congress over the past 4 years.

The last 4 years have seen a dramatic deterioration in the Government's ability to perform one of its most important and fundamental jobs, and that I do not need to tell the Presiding Officer about because he is a stalwart on this issue; and that is, the balancing of the Nation's fiscal books.

We are all familiar with the history. In January of 2001, the Congressional Budget Office projected that in the 10 years thereafter, the Government would run a unified budget surplus—surplus—of more than $5 trillion. Almost 4 years later, we are staring at almost a mirror image of that estimate—a 10-year, $5 trillion surplus—except that instead of healthy surpluses, under any reasonable set of assumptions, we are now facing immense deficits.

We absolutely cannot afford to continue to run up these massive deficits. Doing so causes the Government to use the surpluses of the Social Security trust fund, and use them for other Government purposes, rather than to pay down the debt and to help our Nation prepare for the coming retirement of the baby-boom generation.

Every dollar we add to the Federal debt is another dollar we are forcing our children to pay back in higher taxes or fewer Government benefits. So today's vote to raise the debt limit basically ratifies the actions taken by the administration and the Congress to stick future generations with an immense credit card bill.

That is what we are doing when the Government, in this generation, chooses to spend on current consumption and to accumulate debt for our children's generation to pay. It does nothing less than rob our children of their own choices. We make our choices to spend on our wants, but we saddle them with the debts they must pay from their tax dollars and their hard work.

Obviously that is not right. This has to stop. We have to rein in the fiscal policies that have forced today's vote. That means making some tough spending cuts. It means putting a stop to the inexcusably reckless tax policies of the past 4 years. And it means putting some meaningful, tough, and sustainable budget enforcement mechanisms in place that return us to what the Senator from Montana was talking about and what I mentioned at the beginning of my remarks.

Earlier this year a bipartisan majority in this body supported just such a mechanism. The amendment I offered during the Senate's consideration of the budget resolution would have reinstated the pay-as-you-go rule for taxes and mandatory spending that served our Nation so well during the 1990s. It was adopted by a bipartisan majority. I salute the Presiding Officer for his courage in siding with me and others across party lines to try to institute—actually reinstitute—those pay-as-you-go rules that we had a pretty good bipartisan consensus about during the 1990s.

I actually believe it would have passed the other body but for some heavyhanded maneuvers by House leadership. Instead, the administration's election year agenda steamrolled over efforts to return some fiscal sanity to our budget process.

I also believe there are many in this body who did not support my amendment but who know, in their heart of hearts, that reinstating the pay-go rule is simply the right thing to do. They know how essential it is to impose some self-restraint on congressional appetites. I suspect we would have gotten an even bigger majority vote if not for the exertion of some of the strong pressure on Members that is more common more often in the other body.

We need a strong budget process. We need to exert fiscal discipline. This Congress failed to do so, and left the Nation worse off for their failure.

When we look at this fiscal mess, it boils down to a lack of restraint and a lack of judgment. Wisconsin families face tough choices about their budgets every day, and they shoulder tough financial burdens. But they do not throw up their hands and keep spending. They have to make the choices that need to be made; and they do it. They do not do it because it is easy. They do it because they have to. They have to; and so do we.

We have to get our house in order, like so many Americans do every day. Reinstating pay-go and adopting some other strong budget reforms should be among the highest priorities of the next Congress. We should return to the rules by which Congress played for the decade of the 1990s. We should eliminate the loopholes carved in the pay-go rule as part of the budget resolution adopted in 2003. Those loopholes only facilitated more damage to the Federal budget bottom line.

Reinstating the pay-go rule by itself will not balance the books. But it will make it harder for this body to make the deficit worse. It does not make it impossible, it just makes it harder, and that is exactly as it should be.

Given our current budget position, we ought to make it harder to make the deficit worse. We ought to require 60 votes if we are to pursue tax policies or new mandatory spending that is not fully paid for. I do not think that is too much to ask. And those rules worked well just a few years back.

We know this debt limit bill is going to pass. It was made necessary by irresponsible budget policies that were pushed by the administration and aided and abetted by Congress. This ought to be the last debt limit bill we ever consider, but unless we change things, it won't be. We have to change things on this pay-go rule and beyond or we will simply be in the same position time and time again.

Mr. President, I thank my colleagues and I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, we all owe a debt of gratitude to the Senator from Wisconsin for his long-time concern about budget deficits. I can think of no one in the Senate who has been a more articulate advocate of getting our house in order.

Mr. President, I yield 5 minutes to the Senator from South Dakota.

The PRESIDING OFFICER. The Senator from South Dakota.

Mr. JOHNSON. Mr. President, I ask unanimous consent to speak as in morning business for the 5 minutes.

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

(The remarks of Mr. JOHNSON are printed in today's RECORD under "Morning Business.")

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

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

Mr. BAUCUS. There is not a lot of time left on the debt limit for debate. I urge Senators who want to speak to come over now because, otherwise, I will yield back the remainder of our time.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. BAUCUS. I see the Senator from Florida on the floor. I yield 5 minutes to him.

The PRESIDING OFFICER. The Senator from Florida is recognized.

Mr. NELSON of Florida. Mr. President, I thank the distinguished former chairman, now ranking member, of the Finance Committee, my friend, the Senator from Montana, for the time.

I wanted to share with the Senate that, for the third time in as many years, I find myself wondering how in the world can we continue to be in such a fiscal posture that we find ourselves in. We are constantly reminded by the administration how rosy our economic outlook is, and there are some economic indicators that say that. On the other hand, we hear from the Department of the Treasury that if the debt ceiling is not raised, the Government is in danger of defaulting on our loans.

By the way, where are a number of those loans? A huge amount of those loans to the U.S. Government are from the banks of Japan and China, of all places. In the 108th Congress alone, we have had to increase the statutory maximum debt the Government can carry by over $2.2 trillion.

The last time we engaged in this exercise a year or year and a half ago, in May of 2003, we needed the single largest increase to the debt limit in U.S. history. That was almost a trillion dollars—$945 billion. That lasted us only until today. Now the Treasury is explaining that they have resorted to "extraordinary measures" just so they can meet their current obligations.

So here we go again. Three times we have done this in 3 years. Let me put it in context. From 1996 to 2001, the debt limit was increased by a total of only $400 billion, in relative terms. Today, we are asking that be doubled in the increase of the debt limit.

There certainly are new expenses we are now facing, such as terrorism and the war in Iraq, which have put a tremendous strain on our budget. But these are not new expenses. We ought to be doing a better job of anticipating those needs and budgeting accordingly and not digging ourselves deeper into debt.

Instead, the huge budget deficits year after year have put us on a reckless fiscal path that will take us decades to undo. And guess who is going to pay off that debt we keep adding to the tune of half a trillion dollars a year. It is going to be our children and our grandchildren who are going to have to pay off that debt.

I keep hearing a lot of folks here who want this to happen. They keep claiming they have a conservative fiscal record, but I think the truth is that the "tax cuts and spend" mantra is not fiscally conservative. It is fiscally reckless.

There will undoubtedly be more expenses that we face—emergencies from natural disasters, such as the four hurricanes that hit my State, and the floods in the Midwest. That is part of the reason for having a Federal Government, to respond to those emergencies. There are going to be necessities, such as the imminent retirement of the baby boomers, the unstable situation in trying to stabilize Iraq, and the terrorist threats all across the globe. We cannot continue to ignore those needs on our balance sheet.

Today's debt limit increase is something I have a great problem with simply because of the way of the fiscal policy that has been thrust into the running of our Government. I do not want to see this as an annual exercise.

Mr. President, I yield the floor.

Mr. BAUCUS. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. BAUCUS. Mr. President, I yield to the distinguished Senator from Delaware, Mr. CARPER, such time as he might consume.

Mr. CARPER. Mr. President, I thank my friend from Montana for yielding.

There was a lot of talk before the election about potential October surprises. Perhaps there should have been more talk about potential November surprises, for that is what we are presented with this afternoon.

There was a great deal of rhetoric during the campaign about cutting our Nation's budget deficit in half. There was too little straight talk, however, about the reality that our debt continues to rise.

We have heard a good deal of talk since the election about mandates, voters' mandates and fulfilling campaign promises. If the majority in Congress is seeking a mandate for its economic policies, they would not have withheld the results of those policies until after the election.

As far as campaign promises go, I do not recall anyone promising in this year's campaign that Congress's first act after the election would be to approve an increase in our Nation's indebtedness to more than $8 trillion. That is exactly what Congress is about to do this afternoon before the sun sets in Washington, DC.

As the most profligate Presidential term and the most profligate session of Congress in our Nation's history draw to a close, the bills, meanwhile, are coming due. Bills, like facts, are very stubborn things. No amount of rhetoric can make them go away. While it was inappropriate to hide from the public the true extent of our Nation's growing indebtedness until after the election, it is somehow fitting this vote would come today. There is a symbolism in the fact that one of the last acts of the 108th Congress will be to place this country deeper in hock to our creditors around the world. There is also significance in the fact that this act will be undertaken just a day before the opening of the Clinton Presidential Library in Arkansas.

The opening of the Clinton Library reminds us that when Bill Clinton left office 4 years ago, America had a budget surplus. That surplus was sufficient to secure the future solvency of Social Security and Medicare and to put our country on course to be completely debt-free for the first time in any living person's memory.

That is the legacy of President Clinton. I am sorry to say the legacy of the 108th and the 109th Congresses will be one of undoing in 4 short years the decade of work and sacrifice that went into balancing our Nation's books and strengthening our Nation's finances for the 21st century.

Let me say, credit for the budget surpluses that we were beginning to generate as a country 4 years ago is not entirely due to one President or to one party. But the fact is that he did provide a strong measure of the leadership that helped get us to the place we were just 4 short years ago.

As a result of that rapid unraveling of fiscal restraint, our financial position is far more precarious than it was just 4 years ago. With a large and growing budget deficit, we are stretched thin in our capacity to meet the great challenges that inevitably confront us as a great people. New terms and new Congresses are times for new beginnings—and for those of you who know me, I am an eternal optimist. I have no desire to dwell on the past. I, like most of us, am determined to look forward. My hope is that given the opportunity for a new beginning, we will chart a new course in the new year to come.

In truth, we have no other choice, at least no other good choice. Sustaining a protracted global war on terrorism requires discipline. Keeping the promise of Social Security and Medicare entails responsibility. Ensuring that these challenges do not exhaust our capacity so that we are still in a position to improve our schools and invest in our children and their future demands sacrifice. Discipline, responsibility, sacrifice—these are values that are familiar to families in small towns across Delaware and across America and, frankly, in big towns, too. They are the values by which our families live each and every day, or at least attempt to. Our State and local governments share the values of our people when it comes to handling their people's money because, unlike the Congress, our State and local governments are required to share those values. Our State and local governments are required to live by two simple rules: Live within your means and pay as you go. We used to live by those rules here in Congress, but we have literally let those rules expire.

In hindsight, it is clear that by letting these simple rules expire, and with them the values of discipline, responsibility and sacrifice, we have unleashed a frenzy of spending and borrowing. It is equally clear that this laxity in Congress now threatens America's economic vitality and even our national security.

Personally, I do not believe pundits who say fiscal recklessness is inevitable. Nor do I believe those who say bitter and polarizing partisanship is inevitable. They may be inevitable, but I don't believe it. I am ready to meet in the middle with anyone from the other side who is interested in bringing responsibility and discipline to the Halls of Congress and the part of America outside the Congress that is within this beltway. I am interested in working with any and all of my colleagues who want to work to reform and to improve the budget process in a way by going back to the future, going back to some of those values and some of the practices that got us to a place where we had a balanced budget, including the notion that if a Senator wants to increase spending, he has to come up with an offset—lower spending someplace or to raise revenues someplace.

If we want to cut the revenues from the Treasury, we have to come up with an offset. Either raise revenues someplace else or cut spending to offset the loss to our Treasury from our tax cuts. Surely we can find a common cause and make sure the decisions we make in Congress truly represent the values by which those we represent live their lives. We can do this. We should begin by restoring the old rules that require us to live within our means and, as I said earlier, pay as we go.

If we do that, perhaps we can save ourselves the embarrassment we feel today. Perhaps we can save ourselves from standing once again on the precipice of adding another billion, another hundred billion, or another trillion dollars to the debt we are loading on the backs of our children and on future generations of Americans.

Sitting here before me today are young people. They are pages. They come here to this Capitol when they are juniors in high school. They are the same as our oldest son. Someday somebody is going to have to pay for the debt we, the Congress, are accumulating at the request of the administration, the debt load whose ceiling we will raise later today. We do not just print money when we run deficits around here, we borrow money. We don't just borrow money from people who buy savings bonds, we don't just borrow money from people who buy Treasury securities, notes and bonds, we borrow money from people all over the world.

We have become a huge debtor to some unlikely nations: China, Japan, South Korea, and a number of others. I am not talking about deficits of a couple of billion dollars or even tens of billions of dollars, but hundreds of billions of dollars. They expect to be paid interest on that debt. We have to pay interest on that debt or default. Eventually they are going to want to be repaid the principal of the money they have loaned to us.

My friends, if we are not careful, we are going to reach a tipping point where the amount of our indebtedness becomes so great, so significant, so alarming to other nations around the world they are going to be reluctant to loan us more money unless we show some ability to better manage our finances.

When they see the threat to our ability to repay our debt go up and we become a riskier investment, those other countries around the world are going to ask us, if we want to be able to get credit, to pay more interest on our debt and to raise the interest rates. If we don't want to do that, we are not going to be able to roll over—renew—our debt.

On the other hand, if we pay the higher interest rates which we are going to be inevitably faced with, that has a dampening effect on our economic recovery.

Someday these young pages, along with my children and their generation, are going to have to repay these debts. It is not fair to them.

I will close with this. Does anybody in the Chamber have an idea of what the interest payment on our national debt is today? About $1 billion. Just 1 day—not 1 week, 1 month—just 1 day. It is not principal, it is just interest. And we have to pay it today, tomorrow, and the day after that. In raising our debt ceiling today, that $1 billion interest payment is not going to go down, it is going to go up.

We can do better than this. Beginning in January we have to. With that having been said, I yield my time and thank my colleague from Montana for yielding to me.

The PRESIDING OFFICER (Mr. CORNYN). The Senator from Montana.

Mr. BAUCUS. Mr. President, I yield 10 minutes to the distinguished Senator from New Jersey.

Mr. LAUTENBERG. I thank the Senator. I thank the Senator from Montana for the opportunity to use a few minutes to describe what I see as the latest in a series that is rather discouraging for America. It is fair to say, using that expression that has been coined around the country over a number of years: Mr. President, there we go again. For the third time in 3 years, President Bush has gone over the limit on our Nation's credit card. So now the President is asking Congress to raise his limit. That is often an expression used at gaming tables in Las Vegas and Atlantic City and other casino establishments. I don't know whether that is what we have here. Is this a casino where we are willing to bet table stakes, everything that we have, because we are out of control?

I want to say to President Bush that this solution may work for you, but everyday Americans don't have the luxury of simply saying: You know what, give me a little more credit so I can continue to deal with this so irresponsibly. Banks simply will not agree to increase people's credit limits when they rack up dollars and debt on their card. That is what President Bush is asking members to do today. We are the bank's chief lending officers and he wants us to raise his credit limit.

Simply put, what we are seeing in this administration is credit card economics. It is totally irresponsible and among the most reckless administrations in the history of this country with their fiscal management.

Why are we in this mess? Because President Bush and the Republican majority in the Congress decided they wanted to give the wealthiest in America a big tax cut. A portion of the President's tax cut goes to people like myself who are in the highest percentage of wage earners.

I had a successful business career. I was lucky I did what I did in the computer industry many years ago when America presented all kinds of opportunities for me to work and create something of lasting value.

The top 1 percent of the wage earners are receiving this tax cut that equals $100 billion every single year. That is almost a third of the total cost of operating. The worst part about this mountain of debt we are being asked to authorize is it is going to be on the backs of our children and grandchildren. Who among us would say, I want to live high on the hog, so here, kids, here grandchildren, you pay the bill while we go ahead on this spending kick?

President Bush simply wants to leave this debt burden to future generations. I don't want to do it.

If colleagues vote to raise this debt limit, they are voting to saddle every child in this country with an immediate debt burden of $27,764.

I look at the wonderful young people we have, known as pages, who get a taste of government from their experience here, spending a term in their high school years. Each page will owe $27,000 as a result of what we are doing here today. It raises the debt limit above $8 trillion for the first time ever in our history.

It is sometimes hard to get a grasp on numbers like that, so let me try to put that in perspective. I cannot imagine what $8 trillion is like. We are not talking about stacks of $1 bills. It is two-thirds of the value of the entire New York Stock Exchange. That is how much we are in debt. If we want to pay it off right now, we have to hand over two-thirds of our stock market. It is irresponsible. It is impossible to comprehend.

The deficit is a real problem that affects our lives and our Nation's economy. When President Bush took over and got a resounding endorsement from people across the country for his second term, we were in a position of surplus. I was on the Budget Committee. I was fairly senior on the Budget Committee on the Democratic side. We struggled and we pushed and President Clinton encouraged us and he twisted arms of both parties—not just the Democrats, but the Republicans—and we got a balanced budget in place. We had over $200 billion in surplus in the year 2002.

Now we are looking at a debt just for this year that could be somewhere in the $600 billion range; $488 billion. But including the cost for the extra borrowing, it will be somewhere around $600 billion in debt. When President Bush took over we had an almost $300 billion surplus. That is quite a change.

Tomorrow, there is an official dedication ceremony for the Clinton Presidential Center. What a difference between the economic policies of those days and current times. President Clinton understood the importance of fiscal discipline. Right now, there is no concept of it whatever. What we have now is a deficit attention disorder. We look at this credit card and we see what has been asked: Through November of 2004, $7.384 trillion.

I was the ranking member of the Senate Budget Committee in 1997 when we negotiated the historic Balanced Budget Act that produced surpluses for the first time in three decades. What we were looking for was a $5 to $7 trillion surplus in 10 years.

There is no fiscal discipline. We are running the biggest deficit in history. Because of the 1997 balanced budget agreement, the surpluses it produced, we were able to pay down $600 billion in debt. We were on a path to pay off public debt by the year 2008. Now, because of the reckless tax cuts that President Bush and the Republican controlled Congress have pushed through, instead of being debt free, we are going to be at least $10 trillion in debt by 2008. No one on the other side can seriously argue that we will be better off $10 trillion in debt.

The Republican plan is to borrow and spend, saddle future generations with the responsibility for paying the bills. That is a terrible abuse of the financial future of our country. I don't think responsibility of our children should be just a Democrat or Republican value. It should be an American value. We cannot abandon it.

We all know in our homes and families, if we spend more than we take in, if we spend more than our salaries, we have to be able to borrow to keep our families afloat. That is what the United States of America is doing right now, borrowing to keep us afloat, putting us ever deeper in debt, and transferring that obligation from ourselves to future generations. My children, my grandchildren, and other people's children and grandchildren will have to shoulder part of that.

I yield the floor.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KERRY. Mr. President, elections obviously are an extraordinary opportunity to listen to the American people, to learn, to debate, and to test ourselves and our ideas. This election was no different. It was an honor to live out a great debate in our country in which we talked about the kind of nation we want to live in and what our responsibilities are to each other and, of course, to future generations.

Whatever lessons you learn about a campaign—and there were many—at the core, obviously, are issues. Those issues did not go away on November 3 no matter the results.

We are here in the Congress with fundamental responsibilities to continue the fight for those things Americans care about and that matter to the long-term health and welfare of our Nation. I intend to continue to fight on those issues as hard as I did in crisscrossing this great country of ours.

At the heart of every issue I heard about from Oregon to Florida, Iowa to Ohio, and every State in between, whether it was affordable health care or good jobs or taxes or energy independence or America's role in the world and her respect, above all, Americans continually expressed their understanding that our ability to meet all of those needs rises and falls with our economy, with the strength of our economy, the quality of the jobs that we create in America, the kind of investments we make in the lives of our children, and the quality of the jobs of the future. All of those choices ride on the fiscal choices we make as a government.

Those are lessons we have learned the hard way over the course of the last century or more. That is why I believe, as do others who have spoken in this Chamber during the course of the day, we need to deal candidly and immediately with some sense of urgency with the debt and the debt limit of the United States. We have a fundamental responsibility to restore fiscal responsibility rather than merely voting again to raise the debt limit as if there is an endless credit card at the expense of the American people.

Americans struggle to balance their budget. I heard about those struggles all across this country, people who can barely afford to pay their bills, people who have seen their health care go up 64 percent, their tuition go up 35 percent, gasoline prices go up, cost of purchasing drugs go up, and their wages are down. The American people are struggling to be able to pay their bills. Congress is not exhibiting the similar kind of struggle or even effort. The American people sit down at their kitchen tables and they try to play by the rules every single day. Congress seems ready to write new rules whenever it wants. We used to understand the responsibility to future generations. In the 1980s, Washington dug an enormous hole, a deficit hole, and it became apparent to all on Wall Street and all of the corridors of fiscal responsibility and power in America that we needed to make a better set of choices. So we made tough choices in the 1990s to dig ourselves out of that hole. And now here we are again, in 2004, back again with a new hole, deeper, with more grave consequences than at any time in American history. Neither Congress nor the administration has been willing to face up to that reality, even as the consequences grow and stare us in the face.

Let me put that in perspective. In less than 4 years, a 10-year $5.6 billion budget surplus was turned into a $2.4 trillion debt. That is the worst fiscal turnaround in our Nation's entire history. Since raising the debt limit last year, the Government has run up more debt than all of the Presidents from George Washington through Ronald Reagan. In fact, almost three-quarters of the entire debt of the United States of America in our 228-year history has been run up during the course of the last three Republican administrations. Taxpayers have been left with a record deficit in both of the past 2 years, up to a record $413 billion for 2004. According to the Congressional Budget Office, we are going to run $300 billion deficits every single year for the next decade, and that is without including one of the President's new proposals made in the course of the last year of the campaign. So the United States is operating a borrow-and-spend Government, continuously stretched by demands for more tax cuts and by more spending. When there is not enough money to pay for those choices, which are voluntary choices, they simply go into debt and put the tab on the national credit card and they send the bill to our kids. It is an economic policy of borrow and spend, and it simply cannot be sustained. After the new debt limit passes this week, and it will, the administration will have added $2.1 trillion to the debt limit in less than 4 years. That amounts to more than $7,200 for every man, woman, and child in the United States, and all of that money must eventually be paid back, or at least partially paid back in significant amounts with interest.

The interest payments alone are staggering and depriving us of choices that we ought to be making for long-term investment in our country itself. The Government may spend it today, but Americans ultimately will pay the bill. That means a child born today is going to enter the world owing more than $17,000 when our last and expected debt is totaled up. As everybody knows, our children grow up with a set of expectations about their future that are now impacted extraordinarily by the choices we are making on their behalf, and whether it is a choice to buy a car or home or save for their own families or save for college, all of those are going to be impacted negatively by the unwillingness of Congress to be responsible at that moment. Their ability to save will be eaten away by their share of what this Government is going to have already spent in debt. This could be called a birth tax, a birth tax that is dumped on the back of every American child unwillingly.

I think, and I think most persons believe, to saddle our children with this debt is wrong. As Republican Pete Peterson said, the ultimate test of a moral society is the kind of world it leaves to its children. And I think about that concept as we are about to slip our own kids and grandkids a check for our free lunch. I say we are failing the moral test. That is Republican Pete Peterson speaking.

And it is not just the mountain of debt that is the problem. It is also where the money comes from. To pay our bills, America now goes cup in hand to nations such as China, Korea, Taiwan, and the Caribbean banking centers. China now holds $172 billion of our Nation's debt. Korea holds $63 billion, Taiwan holds $56 billion, and the Caribbean banking centers hold more than $191 billion. Since 2001 alone, the share of U.S. Treasury debt held by foreigners has risen to 42 percent from 30 percent. It is increasingly dangerous for so much of our Government and our standard of living to be dependent on foreign capital. If foreign investors were to suddenly decide to stop financing our borrowing habits or to see weakness in the American economy, it could have a spiraling impact on our own economy, international currency markets would be shaken, and our economy would quickly follow. If those investors began to withdraw their capital, our financial markets would plummet and interest rates would climb. That will make everything American families need, from a home, to a car, to appliances, to education, all of it, more expensive. It will make it harder for businesses, and especially small businesses, to raise capital and invest in jobs and economic growth.

What is more, with so much of our debt owned by other nations, U.S. diplomatic and trade negotiators face increased difficulty in making demands of major creditor nations. How do you go to a country that holds so much of your debt while your economy is closely linked to theirs and start to make the powerful argument about nuclear proliferation or human rights, democratization, and other issues that are of importance and great consequence to our country?

It is only a matter of time before America learns the hard way that debt is more than a financial liability, it weakens America's security, and it weakens our diplomacy and our trade. Our budget mismanagement, the negligence of borrow-and-spend policies, leaves us vulnerable to the priorities of foreign creditors. And that is unhealthy and irresponsible.

So what do we do about that? Well, we can argue over the cause of the problem, of what made this borrow-and-spend institutionalized approach the reality it is today. But I think it is more important for us now to try to find a solution; that is, to work to find economic policies that are going to create opportunity and demand responsibility.

When I first came to the Senate in 1985, the Federal deficit was soaring, out of control, just like it is today. And in the 1980s, the National Debt Clock in New York City became a symbol for a Federal deficit and a debt that were out of control. Back then, many Democrats thought we could continue to spend and to spend without having to pay the bill. And back then most Republicans claimed that if you gave huge tax cuts to the wealthy, they were somehow going to pay for themselves.

At the same time, we were lucky to have leadership from a group of reformers on both sides of the aisle, people such as Republican Senators Warren Rudman and Phil Gramm, and Senator FRITZ HOLLINGS on the Democratic side. They pushed for a deficit reduction plan that had real teeth in it. They continued that fight until it was finally won.

The choice was tough. Fiscal sanity was won by exactly one vote in both Houses of Congress. But finally, in 1997, we finished the job by passing a historic bipartisan balanced budget agreement. It not only balanced the budget for the first time since 1969, but it extended the life of Medicare, it expanded health care for children, and it cut taxes for middle class Americans.

Four years ago, the numbers on the National Debt Clock were spinning backwards. Today, in New York, the National Debt Clock has now been turned back on, and the numbers are rising faster than you and I can follow. As Senator HOLLINGS retires from the Senate, I think we need more of that kind of effort that was offered in the 1980s and 1990s in order to find the common ground that he and Senator Rudman brought to this debate almost 20 years ago. It is time again to follow that example.

There are a lot of ideas out there. We can end tax cuts that do not create jobs but do create enormous debt. We can find incremental savings by streamlining Government itself. We can reduce or eliminate programs that we simply cannot afford. We could establish a commission to independently evaluate and eliminate corporate subsidies. But more important than any individual proposal is that the White House and Congress make a fundamental commitment to end this policy of borrow-and-spend economics.

We need to make economic opportunity and fiscal responsibility a common goal. And we have to live by some rules, rules such as a budget that requires us to pay for what we spend, rules that give the debt limit meaning. Today the debt limit is fanciful. It is just a number on a piece of paper, and Congress raises it any time it wishes. It is no limit at all. I believe we can do these other things. We could make these other choices if we set clear national priorities, if we make the tough decisions, not just about the programs of others but about our own proposals.

We have to do this because it is critical to any credible economic plan and to the creation of new, good-paying jobs. An America that ignores our national debt and the deficit will be an America that invites inflation and recession. An America that pays for new initiatives and follows real budget rules will be an America that creates a new era of prosperity and opportunity for all Americans. We know how to do this. We did it in the 1990s. Now it is time to return our Government to that fiscal responsibility and to invest in the future and to create new jobs in America that pay more than the jobs we are losing overseas, and to raise the standard of living for American workers.

I will not vote for a borrow-and-spend economic policy when there are better alternatives.

Over the last year, in the cities and towns that I was privileged to travel in all across our Nation, I have been reminded again and again of the hopes of the American people and of families that play by the rules and do what is right for their kids and try to do what is right for aging parents and for a Social Security system and a Medicare system that are under increasing pressure and strain.

Those Americans are faced with tough choices every day. They expect us, similarly, to make tough choices. I think Washington ought to live by the same rules they do. None of these choices are about numbers and about dollars and statistics alone. They are really about the responsibility we have as one generation to another and, most importantly, the responsibility we have vested in us as Members of the Congress and the need to try to work together and find the unity, as we did in the 1990s, to come up with a solution that acts in the interests of Americans and that does not avoid that fundamental responsibility.

Mr. President, I ask unanimous consent that we reserve whatever time there is for the leadership. I do not know if the Senator from Michigan wants to speak now.

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

Mr. KERRY. I yield the floor.

The PRESIDING OFFICER. The Senator from Michigan.

Ms. STABENOW. Mr. President, I ask unanimous consent that I be allowed to proceed for up to 15 minutes from the time under the control of the Democratic manager.

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

Ms. STABENOW. Thank you very much.

Mr. President, I rise to join my colleagues and I appreciate the eloquence of the Senator from Massachusetts in speaking about the serious challenges that face our country. And I rise today to oppose the legislation in front of us that would raise the debt limit.

This bill will enable this Congress to incur the largest national debt in the history of our country. I remember in 1997 coming to the U.S. House of Representatives. I was in my first term, and I had the opportunity, within 6 months of being elected, to vote on balancing the budget for the first time in 30 years. That was one of my proudest votes as a Member of the House and remains one of my proudest votes as a Member of Congress.

When it comes to fiscal irresponsibility, though, at this time, this administration has broken all records and turned the clock back from that historic moment in 1997 when we balanced the budget for the first time in 30 years. They have rolled back the clock now to a huge fiscal mess with redtape and red ink as far as the eye can see.

Despite inheriting the largest 10-year surplus in the history of our country, this administration turned a $5.6 trillion surplus into a $3.5 trillion deficit. That is a lot of money. This $9.1 trillion turnaround is the largest we have ever seen. It is absolutely historic and extremely disturbing to all of us.

Also, in fiscal year 2004, this administration was responsible for the largest deficit in the history of the country—$413 billion, the largest deficit in the history of the country.

To make matters worse, the President is proposing even more debt over the next 10 years. So we have in front of us an effort to raise the debt ceiling instead of efforts to, in fact, lower the debt. And there are proposals on the horizon that will increase the debt even more. Proposals to make tax breaks for the privileged few permanent will add approximately $1.2 trillion more to the debt.

The administration's Social Security privatization scheme would cost somewhere between $1 trillion and $2 trillion more.

We need to take heed and the administration needs to take heed of the old saying that when you are in a hole, the first thing you need to do to get out of it is to stop digging.

We are in the middle of a war in Afghanistan and in Iraq. We must provide our troops with whatever they need. Unfortunately, every time Congress has considered proposals to pay for these war costs, the leadership and the administration has pulled out all the stops to defeat them, preferring not to budget for the war, still incurring the costs; and we have the resulting deficit, rather than planning and budgeting to make sure our troops have what they need.

Congress now has no budget discipline requirement. There has been a bipartisan proposal pending in Congress, which I support, to enact the pay-as-you-go system of budget discipline. This passed earlier this year as an amendment to the Senate budget resolution. It was dropped then in conference committee and, as a result, this Congress never passed a final budget resolution. Therefore, Congress can go on cutting revenue, having spending increases that are not budgeted, with no discipline whatsoever.

These massive deficits are pushing interest rates higher. This means that

American families will have to pay more for mortgage payments and car payments and student loans. Talk about a hidden tax. Every time we see increases in interest rates, we are taking more money out of the pockets of our middle-income taxpayers, working families, those who are trying to have the American dream, to have a home for their families, send kids to college, buy a new automobile, and pay for other costs that involve borrowing. Those interest rates are a direct tax on our families, and particularly hit hard are those in middle America.

If we don't have the fiscal discipline to be able to bring this deficit down and bring this budget back into balance, as we did in 1997, we will continue to see the hidden tax of interest rates hitting our families and our businesses.

Worst of all, fiscal recklessness means that, as adults, our children will be hit with the needed tax increase to pay our bills. In fact, every child born in America today effectively has over a $20,000 bill handed to them to pay for the country's national debt. Our national debt really ought to be called a birth tax on our children and grandchildren.

These large deficits are bad for our economy and they do not represent real American values. American families know they need to pay their bills. We need to pay our bills. We all do. We sit down with our families to figure out how to pay the bills. They cannot pass an increase in their own personal debt limit every time they want to spend more, which is what the Senate is doing today.

Families have to live within a budget. They must make tough choices every month. They often must decide between things such as new school clothes for the children, saving for a college education, or buying the medicine they desperately need for their families. Parents are responsible for their household budgets. They pay mortgages and tuition either by working another job or doing without something. In other words, families must borrow responsibly, live within their means. In other words, they must play by the rules. We should be doing the same.

Unfortunately, the Republican majority does not think the Congress should have to play by the same rules as families. This is dead wrong. I believe it is hypocritical for us to talk about families needing to make tough choices in balancing their budgets if we are not willing to balance our own.

An increasing national debt also violates one of our most important values—that we want our children to be better off than we were. We want to leave them a better country than we inherited. Parents all over America care about this and do this every day. They work hard to pay for their children's college so they can be successful, to build a business so they can pass it on to their children; they build a little nest egg so that when they pass on, their children will get a small inheritance to help raise their own children and be able to have the American dream.

These are true American values. They are our responsibility, playing by the rules, thinking about others other than yourself.

Instead of making life better for our children, we are doing just the opposite by focusing on raising the debt limit rather than paying down the debt. We are leaving them a country that is worse off financially, and we are saddling them with a debt that will have consequences for them throughout their lifetimes. Again, they will have to pay our bills. That is not the way it should be in the greatest country in the world.

Our President talks about an ownership society, where Americans are financially independent and responsible. We need this same principle applied to this administration's fiscal policies.

Unfortunately, what the President's ownership society really means is that our children will own all of the national debt. This is immoral, I believe. I believe it does not reflect our values as Americans. I urge my colleagues to oppose this legislation. You know, it is kind of like a ''get out of jail free'' card for a fiscally irresponsible situation here, led by our colleagues on the other side of the aisle and this administration.

I believe we need to stay and take whatever time it takes in order to make the tough decisions to deal with the budget and spending priorities. We need to focus on the real values and real priorities of the people we represent, the families who are out there trying to balance their budgets and make ends meet and provide for their families every single day. They are making tough choices. They are making even tougher choices because of the decisions that are made here. I believe that continuing a situation that will only raise interest rates on families and on businesses, which is really a tax, is not what we ought to be doing in the Senate.

I yield the floor.

(At the request of Mr. DASCHLE, the following statement was ordered to be printed in the RECORD.)

• Mrs. CLINTON. Mr. President, last year, I stood with several of my colleagues in the Senate and voiced concerns that the effort to increase the debt limit by nearly $1 trillion was the wrong fiscal course to take this Nation. Indeed, I did not oppose the debt limit increase because of any ideological opposition to doing so. In fact, during my husband's administration, we raised the debt limit permanently on two separate occasions.

But what was different then was that we had a solid plan to balance the budget, and thereby begin paying down our Nation's debt. That plan worked. We had the largest budget surpluses in the history of this Nation and we retired nearly half a trillion dollars of our Nation's debt while creating jobs, growing our economy and lifting millions of Americans out of poverty.

With the current administration's agenda, there is no plan for restraint or moderation, nor is there any solid framework for paying down our Nation's debt. During these next four years, we know we will be making a huge investment for the war in Iraq and Afghanistan and we know that we will continue to make significant and increased investments in homeland security, education and health care. Faced with these growing budgetary pressures, I am amazed that the same passion used to champion and implement this administration's agenda over the last four years has been entirely muted when it comes to fiscal restraint or responsible choices to balance the budget or pay down our national debt.

This certainly wasn't the case during the 90's when, even though we were making solid progress in reducing the deficit and the national debt, we were warned that our national debt would ''threaten future generations, threaten the future of our children, threaten our Social Security system and threaten our ability to lead the way in the global economy of the 21st century.''

Last year, when I opposed the last debt limit increase, I said that absent any plan from this administration to address the growing deficit and exploding debt, we would be here again. Here we are one year later, about to pass the third increase in 4 years, having permanently increased the debt ceiling by over $2.2 trillion or $8,100 for every man, woman and child in the United States. However nothing from the administration in terms of a plan to reduce the debt or making responsible choices has changed. Indeed, the only thing that has changed since the last debt increase is that our budget deficit has deteriorated by $50 billion.

Given the reckless fiscal course taken over the last several years, and little evidence to indicate a shift from that course, I cannot, in good conscience support another step that passes along the burdens of this generation to the next because of our failure to address these problems today. Raising this debt limit while embracing policies that further exacerbate the deficit is in essence a ''children's tax,'' a burden borne not by this administration or this Congress, but by our sons, our daughters, and our grandchildren.•

Mr. GRASSLEY. Mr. President, I rise in support of S. 2986, a bill to increase the Federal debt limit.

I support this increase because it is necessary to preserve the full faith and credit of the U.S. Government.

Without an increase in the debt limit, our Government will face a choice between breaking the law by exceeding the statutory debt limit, or breaking faith with the public by defaulting on our debt. Neither choice is acceptable.

To understand why we are here today seeking to increase the debt limit, it is necessary to explain a few things about the Federal debt.

Under current law, there is a statutory limit on the amount of debt that can be issued by the Federal Government. This limit which now stands at $7.384 trillion applies to virtually all of the debt issued by the U.S. Government.

There is only one debt limit, but there are two types of debt—debt held by the public and debt held by the various Government trust funds.

The amount of Federal debt held by the public is determined by the Government's annual cash-flow. When total spending exceeds total taxes, the Government has a budget deficit.

To finance this deficit, the Government borrows from the public by selling debt, such as Treasury bills, notes, and bonds.

We will hear a lot of criticism that President Bush's tax cuts are responsible for our rising public debt. But the facts show otherwise.

When President Bush took office in 2001, the Federal debt limit was $5.95 trillion.

The debt limit was increased to $6.4 trillion in 2002 and to $7.384 trillion in 2003.

Assuming we increase the debt limit again today, it will be $8.184 trillion.

Thus, the Federal debt limit will have increased $2.234 trillion since President Bush took office in 2001.

However, the tax cuts that have been enacted since 2001 total less than $700 billion through the end of the most recent fiscal year, and that includes the interest cost as well.

Thus, the President's tax cuts account for less than 30 percent of the increase in the Federal debt limit.

The rest of the increase in public debt is due to the recession, the war in Iraq, and homeland security.

In addition to the debt held by the public, the Federal debt limit also applies to the debt held by various Government trust funds—such as Social Security and Medicare.

Whenever a trust fund program collects more than it spends, the surplus is invested in special issue Treasury securities. These special securities count toward the debt limit.

However, it is important to understand the amount of debt held by the trust funds does not reflect the Government's unfunded obligations.

For example, the Treasury Department reports that the total amount of Federal debt held by all of the trust fund programs is just over $3 trillion.

However, the Social Security and Medicare trustees report that the unfunded obligation of Social Security and Medicare is more than $72 trillion.

Given these facts, it should be obvious to everyone that the Federal debt limit provides a misleading and inaccurate picture of the Government's future liabilities.

Efforts to use the statutory debt limit to control Government debt and deficits cannot succeed because it ignores the long-term budget problem.

Indeed, even Federal Reserve Chairman Alan Greenspan has suggested the debt limit has outlived its usefulness and should be replaced with a more accurate and useful alternative.

I would welcome the opportunity to work with my colleagues to develop such an alternative.

However, pending the outcome of such an effort, I would strongly urge every Senator to support this bill.

Testimony of Chairman Alan Greenspan in the Federal Reserve Board's semiannual monetary policy report to the Congress before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 11, 2003:

> In the Congress's review of the mechanisms governing the budget process, you may want to reconsider whether the statutory limit on the public debt is a useful device. As a matter of arithmetic, the debt ceiling is either redundant or inconsistent with the paths of revenues and outlays you specify when you legislate a budget.

Mrs. FEINSTEIN. Mr. President, I cannot in good conscience support this request to raise the national debt limit to $8.1 trillion. Rather than raising the debt limit by $800 billion, we should be taking concrete steps to lower our budget deficit and reduce our national debt.

If today's increase is adopted, President Bush will have raised the Nation's debt limit by more than $2 trillion. In other words, just 4 years into the job he has raised the debt limit more than any President in U.S. history.

The Federal budget deficit reached a record $422 billion for fiscal year 2004, according to the latest estimate by the Congressional Budget Office.

Over the next 10 years the President's budget will create $2.3 trillion in additional debt for our Nation. This is a stunning turnaround from 4 years ago, when the budget showed: a $127 billion budget surplus, and a projected 10-year surplus of $5.7 trillion.

This is a mind-numbing $8.0 trillion turnaround in just 4 years.

Given these numbers, it is not surprising that the debt limit has been raised twice in the past 2 years—by $450 billion in 2002 and by $984 billion in 2003.

At the same time he is raising the debt limit, President Bush is promising to "cut the deficit in half over the next five years." But his numbers don't add up and he has provided no clear path to achieve this goal.

In contrast, in 1998, following nearly 30 years of deficits and a 17-fold increase in Federal debt from $365.8 billion to $6.4 trillion, we paid off $448 billion of the Nation's publicly held debt.

For the first time in more than a generation, some of the funds which would have gone to pay interest on the debt were instead spent actually paying down the debt.

I see no similar path being offered by President Bush and now deficits and interest costs are growing once again. Net interest payments on the Federal debt will increase sharply, from $159 billion in 2004 to nearly $350 billion by 2014.

Not surprisingly, when this Nation runs a budget deficit, the government must borrow money from other sources to balance its books.

What would surprise many, however, is that we largely borrow this money from foreign countries—like China and South Korea. And the degree to which this administration has borrowed from foreign nations is shocking.

Over the past 4 years, the U.S. has increased its borrowing from Japan to the tune of $700 billion; by $167 billion from China, $130 billion from Great Britain, and $60 billion from South Korea.

When President Bush came to office we owed $1 trillion to foreign countries. We now owe more than $1.8 trillion. We are ceding control of our Nation's destiny for a quick payoff to wealthy taxpayers and this debt limit increase bill simply enables that disturbing behavior.

The Committee for Economic Development, an independent, nonpartisan organization of 250 business and education leaders, estimates that if we stay on our current course, the deficit will rise from 3.5 percent of GDP today to: 6.2 percent of GDP in 2020, and 21.1 percent of GDP in 2040.

Deficit growth of this nature would absolutely crush any hope this Nation has of addressing so many of our pressing problems, like better homeland security, shoring up Social Security, and fully funding No Child Left Behind. Deficits do matter, and unless we face up to them, they could seriously harm our Nation's economy. Here is why first, deficits mean increased spending on interest instead of priorities.

In the short term, deficits can help stimulate the economy or pay for emergency spending. But in the long term, they limit our Nation's ability to fund much needed priorities. This means less money for education, less money for environmental protection, and less money for health care.

Second, deficits lead to interest rate increases. We have been fortunate in recent years: interest rates and inflation have remained low. But as we have seen in the past few months, as the economy picks up, the downward pressure on interest rates are being relieved and the impact of deficits are starting to be felt. This is adding huge expenses to variable home mortgages and auto loans.

An increase of just 1 percent adds $2,000 per year to the cost of a $200,000 home mortgage. This is more than the majority of American taxpayers received from the President's latest tax cut.

Third, deficits prevent us from addressing the looming Social Security and Medicare crises. This is an issue that we can not continue to avoid. The retirement of the baby boomers will place a tremendous strain on our social safety net. In fact, if we do not address the problem, the Medicare trust fund will go broke by the year 2019, and the Social Security trust fund by 2052.

Our Nation was poised to deal with these crises at the end of the Clinton administration.

Not only have we failed to shore up the Social Security and Medicare trust funds, but we are also tapping the Social Security trust fund to pay our bills—to the tune of $164 billion last year alone.

So what do we do? One possibility is to simply continue along our current path and pass our problems on to our children and grandchildren. In fact, the debt limit increase that we are debating today enables the President to borrow from future generations and sends the message that we are unable to muster the political will necessary to pay today's obligations today.

So I strongly believe that the time has come to chart a different course, and make the tough choices that the President and this budget resolution avoid making.

We must adopt a balanced approach to both taxes and spending and return to a program of fiscal sanity.

This is what we did when I first came to the Senate over a decade ago. At that time, a small, bipartisan group of Senators came together to get our fiscal house in order: Democrats worked to bring spending under control; and Republicans pledged not to push for additional tax cuts.

Today, we must come together again to address the deficit and restore our Nation's economic security.

On taxes, I believe that we must move to make our Tax Code more equitable, not make the President's tax cuts permanent. To make the President's cuts permanent at a time when the Nation is running historically high budget deficits represents the height of fiscal irresponsibility.

The Tax Policy Institute estimates the cost of making these tax cuts permanent would cost $1.8 trillion over 10 years—$1.8 trillion at just the time that baby boomers will start retiring and Social Security and Medicare need to be stabilized.

The tragedy of our current circumstance is that, given the surpluses he inherited, President Bush should have the resources available to devote additional spending to healthcare, education, and the environment. But the wrong policies, at the wrong time, combined with the war on terror, escalating the 2001 tax cuts, and then extending many of them, have contributed toward the largest budget deficit and largest national debt in the country's history. And now, the fact of the matter is that we are going to need to tighten our belts and bring spending under control.

I have no problem holding the line on spending, but believe that it must be done in the context of a more responsible approach to tax policy.

Finally, we need to take a good, hard look at Social Security and Medicare, and start addressing some of the deeper structural problems with these programs now—before they fall into crisis.

These are not easy answers. But holding off on additional tax cuts, bringing spending under control, and dealing with Social Security and Medicare is the only path to long term fiscal order, a balanced budget, and a healthy and vibrant economy.

Mr. KENNEDY. Mr. President, the fact that we are being asked to raise the debt ceiling to $8.0 trillion is further proof of the nation's bankrupt economic policy. It will be the third increase in the last 2 years, collectively raising the debt limit by more than $2.2 trillion. There is still no credible plan in place to bring the mushrooming deficits under control.

President Bush's massive tax cuts for the wealthy have helped to turn the record surpluses he inherited into record deficits. The $5 trillion surplus projected 4 years ago has turned into a $3 trillion projected deficit. If we continue to follow the administration's misguided economic course, the federal debt could rise to more than $14 trillion in the next 10 years, and there will be large annual deficits as far as the eye can see.

Over the long term, deficits that large will cripple the ability of the private sector to obtain the capital needed for companies to grow and create new jobs. They will also cripple the federal government's ability to make the needed investments in education, health care, and scientific research which are crucial to the nation's long-term wellbeing.

These projected deficits do not even tell the whole story because they do not focus on borrowing from Social Security. The proposed Bush budget would raid the Social Security Trust Fund for nearly $2.5 trillion over the next 10 years. These are dollars which workers pay each year in payroll taxes to finance their retirement. It is wrong to take that money out of Social Security and use it to finance the daily operations of government. In essence, Social Security is being used to fill a piece of the huge revenue gap left by the administration's excessive and unaffordable tax cuts.

Mortgaging the future in this irresponsible manner has not even brought American families a temporary prosperity. On the contrary, it has increased the financial burden on them. Their jobs are less secure. In fact, 2.5 million manufacturing workers have already seen their jobs disappear over the last 4 years.

The cost of health insurance has soared more than 50 percent; and, as a result, 5 million fewer workers receive health coverage.

Tuition at public colleges has risen by 28 percent, pushing higher education beyond the reach of more and more students.

Workers wages have grown at the slowest rate in more than 2 decades, and minimum wage workers have not had any increase at all in 7 long years.

As a result of the disastrous economic policies of this administration, 4.3 million more Americans are living in poverty, and the household debt of the average family has increased by one-third.

What is the Bush administration's response? How does the President propose to remedy these very serious problems? More tax breaks for the same wealthy people who were the primary beneficiaries of his earlier cuts; transferring a larger share of the tax burden from those who live off their accumulated wealth to those who live from paycheck to paycheck. If the tax proposals in the President's budget are enacted into law, they would add more than $2.0 trillion more in debt over the next 10 years.

American families cannot afford more of the same. The financial squeeze is getting steadily tighter. Working men and women are the ones paying the price for Washington's economic mistakes.

Hopefully, in the new Congress, we will start to seriously address these critical issues with members from both sides of the aisle and the administration working together to get our economic ship of state on a better course before it hits the rocks.

Mr. SARBANES. Mr. President, I am deeply troubled by the pending legislation, which would raise the federal debt limit by $800 billion. The fact that we are considering this legislation illustrates how deeply the policies of this administration have plunged us into deficits and debt, and yet, the President continues to push for more of the same: tax cuts for the wealthiest Americans, which are not paid for and which will continue to run up deficits and debt as far as the eye can see. I am very concerned that if the President continues to pursue this reckless fiscal policy, our Nation's long-term economic strength will be seriously compromised.

Despite the fact that the President signed into law the largest debt limit increase in our country's history only 18 months ago, the Treasury Department has now informed us that it will need to borrow even more to keep the government functioning. The legislation we are considering today would allow federal debt to grow to $8.184 trillion, truly a staggering sum.

When President Bush took office, he promised that his fiscal policies would include ''maximum possible debt retirement.'' At that time, the Congressional Budget Office was projecting that our net debt to the public would decline to $36 billion by 2008, when this President leaves office. Now, instead of achieving ''maximum possible debt retirement,'' the President is asking for historically high debt increases. In fact, the CBO is now projecting that publicly-held debt will rise to $5.6 trillion in 2008—almost 40 percent of our GDP. Gross Federal debt, which includes our commitments to Social Security and Medicare, will be almost $10 trillion by the time this President leaves office.

These figures demonstrate how seriously our economic situation has deteriorated under this administration. Let me just emphasize that point with one further example. When the president took office, he inherited a 10-year surplus estimated at $5.6 trillion. Now, when you factor in some of the costs we know are coming, such as the continuing costs of the war in Iraq and the cost of reforming the alternative minimum tax, plus the cost of some of the President's proposals, such as making his tax cuts permanent and continuing his defense buildup, the projections are for a $3.5 trillion deficit over that same period, a reversal of $9.1 trillion. That is a seismic shift in our position.

Much of this shift is a direct result of the fiscal policies pursued by the President during his first term. For example, consider this year's budget deficit. When President Bush took office, the CBO was projecting a surplus for 2004 of $397 billion. Instead, we have a deficit this year of $413 billion—a shift of $810 billion. More than one-third—37 percent—of this reversal is directly attributable to the tax cuts this President has enacted, tax cuts that primarily benefitted the wealthiest Americans. And the President is seeking to increase our debt burden by permanently extending many of these tax cuts, utterly ignoring the fact that these massive tax cuts for the rich have led to budget deficits so large that they could jeopardize our future economic strength.

In part, my concern for our economic future stems from a change in the United States' international economic position. Two decades ago, the United States was a creditor nation internationally, by about 10 percent of our GDP. Now, because of the deterioration of our position over those intervening two decades, we are a debtor nation, to the tune of about 22 percent percent of our GDP. Our status as a debtor nation has worsened considerably since President Bush took office: between January 2001 and July 2004, foreign holdings of U.S. Treasury debt increased by 79 percent. The large budget deficits that have appeared during the last 4 years have made us inordinately dependent on the influx of capital from abroad in order to sustain ourselves.

What will happen to the United States if foreign buyers of our debt decide to make their investments elsewhere? As the Washington Post explained in an article on October 19, 2004:

> Foreign governments and individuals hold about half of the $3.7 trillion in outstanding U.S. Treasury bonds, for example, and the government has been heavily dependent on continued overseas bond purchases to finance the roughly $1 billion a day it has to borrow to pay its bills. Foreign lending and investment are also needed to finance the country's roughly $50 billion monthly trade deficit, while foreign capital has been a key prop to U.S. stock prices. A turn in overseas attitudes toward the United States could ripple deeply through the economy, depressing the market, raising interest rates and pushing down the value of the dollar.

There are already signs that this is beginning to happen. The Treasury Department reported in October that net monthly capital flow from the rest of the world into the United States fell in August, for the sixth time this year. As reported last week by the Wall Street Journal,

> Since Election Day, the dollar has fallen 1.4 percent to an all-time low against the euro. . . . The catalyst for its most recent decline was President George W. Bush's re-election last Tuesday. Investors perceive his policies as likely to aggravate the steep U.S. budget deficit.

What is more, if it were not for the currency manipulation that many of our Asian trading partners are engaged in, the dollar would be significantly lower than it already is against those currencies as well. If this trend continues, the United States could be in for a period of significant economic contraction.

As I said 18 months ago, during the debate on the last debt limit increase, the United States' international financial position reminds me of Tennessee Williams's Blanche DuBois in "A Streetcar Named Desire," who said: "I have always depended on the kindness of strangers." That is what has happened to the United States in the international economic scene. We have deteriorated into a debtor status so that we are now dependent upon the kindness of strangers. That is not where the world's leading power should find itself.

This dramatic change in our economic situation comes at a time when the United States is facing a demographic tidal wave as the baby boom generation approaches retirement. When President Bush first took office, that retirement was almost a decade away. But time has run out. The first of the baby boomers will begin to retire in 2008, on this President's watch. Unfortunately, rather than prepare for the obligations we know are coming, this President has squandered every opportunity to save for the future.

Moreover, his policy of deficit-financed tax cuts makes us less able to make needed investments today. Every increase in the government's debt means we are siphoning off resources that could be used for other purposes simply to pay the interest on that debt. Net interest payments on our debt are expected to consume more than $1 trillion over the next 5 years. Instead of making investments in education, in health care, in transportation, we are paying billions of dollars in interest costs that would not have existed in the absence of the reckless fiscal policy of the last 4 years.

Not only do these policies jeopardize our current and future economic strength, they place a tremendous burden on our children and grandchildren who will have to pay off this debt. By cutting taxes for the wealthiest, the President is really raising taxes on everyone, including our children and grandchildren, by leaving them with the responsibility for paying off this enormous debt.

It is unfortunate that this Administration has demonstrated such a single-minded focus on cutting taxes, regardless of the very serious change in our economic situation and our country's current and future needs. The fact that the President is calling for still more tax cuts at the same time the Congress is being asked to add $800 billion to the Federal debt ceiling is beyond reckless—it places in jeopardy our future economic strength and the economic security of all Americans.

Mr. LEVIN. Mr. President, I cannot support raising the limit on our national debt to $8.184 trillion without taking other steps to restore fiscal responsibility. The fact that this is the third debt increase in three years highlights the irresponsibility of the fiscal policies of this administration. These policies have taken the nation from two years of record surplus—when we were paying down our debt—to this administration's record deficits and debt. A crippling burden is being passed to our children and grandchildren, and the economic security of our nation is threatened as a result.

The three recent increases in the debt limit reflect an astounding increase of more than $2.2 trillion. And unless we make a significant change in our fiscal policies, the outlook for avoiding future increases doesn't look any brighter. The Congressional Budget Office, CBO, forecasts that our gross Federal debt, which includes debt the Government owes to the public plus funds owed to federal trust funds like Social Security and Medicare, will climb from its 2003 level of $6.8 trillion to $13.3 trillion in 2014. And this shocking estimate doesn't even include the costs of continued military operations in Iraq and Afghanistan that we all know are coming. Nor does it take into account the substantial cost of continuing to provide relief for middle-class families from the alternative minimum tax, which, when applied to them, produces totally unfair results.

The fiscal burden such massive debt puts on us and our children is stupendous. By 2014, each American citizen's share of the debt will be $42,903. Paying off a debt of this size will require either extraordinary tax increases or significant cuts in critical government programs like homeland security and education. Furthermore, we will have to spend an increasing amount of our precious dollars on interest payments. Even under the CBO's conservative estimates, net interest payments on the public debt will rise from $159 billion in 2004 to $348 billion in 2014. Every family who has worked to balance its own budget knows that making interest payments diverts scarce resources from other priorities. Making these interest payments means fewer resources are available for many of our national priorities, including shoring up the Social

Security and Medicare trust funds at a time when those programs' costs are about to skyrocket as members of the baby boom generation begin relying on payments from those Funds to support their retirement.

Our rampant borrowing also threatens the economic security of our Nation as we are forced to go deeper into debt to foreign countries. Since January 2001, the share of U.S. Treasury debt held by foreigners has risen to 42 percent from 30 percent, and 90 percent of the new debt has been purchased by foreigners. This large amount of foreign debt leaves our nation vulnerable to the priorities of foreign creditors. For example, if foreign investors ever decide, for economic or political reasons, to stop financing our debt, U.S. and international markets could be thrown into turmoil. This provides other countries with leverage during trade or other negotiations with us.

Our economic security is also threatened by the prospect that a larger debt will lead to higher long-term interest rates. This means it will be more expensive to buy a house, pay for college or pay off credit card debt. This threat is made more serious by the recent increase in indebtedness of American households. Since the beginning of 2001, mortgage debt has increased by 44 percent and now stands at $7 trillion. Home equity loans have jumped by 54 percent and installment debt, including credit card debt, has risen 17 percent. Americans have taken on these new debts largely in an attempt to maintain their living standards in a struggling economy. Since much of this private debt is set at variable rates, any increase in interest rates will have a severe and immediate impact on these families.

So before we raise the debt limit today, we should commit to pursuing more responsible fiscal policies to prevent the need for future increases. We should reinstate pay-as-you-go rules to require that in addition to paying for all spending, we pay for all tax cuts as well. This concept is common sense for most families, who work to live within their means by balancing what goes out with what comes in.

We should also revisit this administration's irresponsible and unfair tax cuts that have driven us so deep into this deficit ditch. It is reckless and irresponsible that the top five percent of households in our country, whose average income is over $250,000 a year, received almost half of these tax cuts. Restoring responsibility and accountability is essential to the economic and fiscal health of our nation. Simply raising the debt limit without taking other steps to restore fiscal responsibility won't lead to that result.

Mr. BAUCUS. Mr. President, I see the Senator from Iowa on the floor. Does he wish to speak now?

Mr. HARKIN. As long as the floor is open, I might as well speak now.

Mr. BAUCUS. Mr. President, I yield 10 minutes to the Senator from Iowa.

Mr. HARKIN. Mr. President, I thank my friend from Montana. I will not take a lot of time. I wanted to talk a little bit about the measure in front of us, raising the debt limit yet one more time on the American people.

I liken it really to this right here. I will take it out of my billfold. It is a credit card. You see, what the Republicans have done is they have put America on a credit card. What they are doing is sort of like: spend and pay later, feel good. There was an advertisement once for a credit card company that said you can have it all. That is what the Republicans are telling us: You can have it all. We are going to put America on a credit card society. We can have tax cuts for the wealthy and the most privileged and we will put it on a credit card. We can continue the war in Iraq, brought on by exaggerations and misinformation to the tune of about $6 billion a month now. That is what we are spending in Iraq. I think it will $200 billion by the end of this fiscal year. Put it on a credit card. Put it on the credit card. And, boy, does it feel good. We can have everything. We can have it all. That is what Republicans are telling us. All you have to do is go in debt, put it on the credit card, put it on the country's credit card. We all know what is going to happen. When you are running up the credit card, boy, it feels good.

Who is getting all the advantages of this credit card, though? The wealthiest among us who got all these big tax cuts, and they are now shopping at Neiman Marcus. Check it out. High-end stores, the high-end catalogs are doing very well. People are buying expensive trinkets, expensive watches, yachts, and everything else. They made out.

Guess where it is coming from. It is on your credit card, America. It is on your credit card. And who will be paying? Working families. And now they want us to extend the credit card limit one more time.

You see, they bumped against the limit on the credit card, so now they are saying we have to extend the limit. That is what all this is about. You have to put it in real-life terms. This is a real-life credit card. You know what your limit is, you know what your income is, and you know what happens if you exceed your credit card limit and you cannot pay it. What happens? What happens when you cannot meet the payments? You either declare bankruptcy and go to bankruptcy court, or your creditors come after you. They restructure you. They deny you certain things so that you can start to pay off your credit card debt.

Guess who is now taking our credit card debt. The top countries holding our credit card debt are Japan, China, South Korea, Taiwan, Germany, Hong Kong, Switzerland, OPEC—the oil producing and exporting countries have a lot of our debt—China. I do not mean to castigate China. I happen to like the Chinese people. I think we ought to trade with China, although in a more balanced way. But what happens when they become a big creditor and we are their debtor? What happens to trade deals down the road?

Put yourself and your family in this position. What happens when you are the debtor and you have a creditor? Who tells whom what to do? Does the debtor tell the creditor what to do? Your creditor tells you what you have to do to get out of debt.

So what is going to happen a few years from now when we are having a trade deal with China, when we are trying to hammer it out and the Chinese do not like exactly how we are dealing? What happens when they are keeping the value of their currency artificially low? The debtor tends to pull their punch when dealing with the creditor. And we have been pulling our punches in this situation.

This is not some fancy kind of thing. I have heard some speeches on the floor today about the debt limit. Look, this is family. This is the American family we are talking about, and the Republicans are selling us out to creditors around the world. And now that we have bumped up against the limit on our credit card, they say we are going to raise the limit one more time. We can put more debt on our credit card: $800 billion more. Think of it as another $11,000 for a family of four.

Two things are happening. First is you have to pay interest, right? When you have debt on your credit card, you pay interest on that credit card debt. You pay it every month or you start paying interest on the interest. Guess what. You will have to pay it. That is what is happening to our national debt. We raise the limit on our credit card, and every month we have to pay interest or what it build and build.

How much interest? Every man, woman, and child in America will, by 2009, be paying $1,000 a year in taxes just to pay the interest on the national debt; $4,000 for a family of four, every year, just to pay the interest on the debt. And, Mr. President, that is not one tax that can be cut. You cannot cut that tax. That has to be paid. The interest has to be paid on the debt—$4,000 a year for a family of four.

I have heard a lot of talk around here this year and in previous years—and now I hear the President of the United States talking about it again—about the death tax, otherwise known as the estate tax, which is if you have a big estate, over $1.5 million dollars, before you pass it on, you have to pay taxes on the amount over that sum. They got to calling it this fancy death tax, like you are taxed because you die. You are not taxed because you die, you are taxed because you have large holdings that have built up, a lot of which you have not paid taxes on, that you can pass on to other generations in your family. They call it a death tax.

I think we ought to start talking about the birth tax. That is what is happening on the floor today. Increasing our national debt is putting a birth tax on every child born in America.

Think about it. For a child born in America 5 years hence, during that child's first year of life, his or her share of the interest payment on the publicly held debt will be $1,000. No one is talking about it. We ought to be talking about it because that is what it is—a birth tax on every child born in America. You have to pay $1,000 a year interest on the national debt to pay for the tax cuts.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. HARKIN. Mr. President, I ask unanimous consent for 5 more minutes.

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

Mr. HARKIN. That is what it is. It is a birth tax. Every child born has to pay $1,000 in interest on the debt that first year.

Where did the money go? Lots went to the wealthiest in our society who are now shopping at Neiman Marcus and buying fancy cars. Trickle-down economics. All you have to do is give more to the wealthiest in our society, and it will trickle down. Nonsense. What is trickling down is the interest on the debt that our families have to pay. That is all that is trickling down.

Here it is right here on this chart, the debt each American owes, per capita, Federal debt outstanding. This year, $25,398 each American owes on the Federal debt outstanding, and now we are asking one more time to raise the credit card ceiling. One more time we will raise it, putting American families more in hock to the Chinese, the Japanese, the United Kingdom, the Caribbean banking centers, South Korea, Taiwan, Germany, Switzerland, and the oil producing and exporting countries, the top 10 countries holding our national debt.

This is not rocket science. All it is, pure and simple, is giving more to those who already have a lot in our society. It is spending, as I said, on a needless war in Iraq to the tune of $6 billion a month, not counting the tragic loss in American lives and innocent Iraqi lives. Yet, with all of that we do not even have enough money to fund education. We are putting to bed, so to speak, our education appropriations bill. Guess what. In the Omnibus Appropriations bill we will consider on the floor of the Senate this week, funding for Title I spending, for the poorest schools, is $8 billion short of the authorized level. We have had to cut title I spending for the poorest schools, for the kids in the lowest income areas of America today.

So we do not have enough money for kids and education, for poor schools. We don't have enough money to make sure we have a decent health care plan for the poorest in our country and our children. Our middle-class kids graduate from college with debt up to their eyeballs because they can't afford to go to college. Our environment is being ravaged, our transportation system is falling apart—drive down any highway, thank you—yet we are asked to raise the national debt one more time on this credit card so the most privileged in our society can continue their spending spree. It is time to get us off the credit card.

A simple fact, simple truth: Republicans can't be trusted with your money. That is the simple fact. It happens every time. They simply think all you have to do is run up that credit card, give tax cuts to the wealthy, and everybody will be fine.

Someone said earlier today the responsible thing to do was to vote to increase the debt limit. I am sorry. I am sorry. That is not the responsible thing. That is one more irresponsible action.

I wouldn't mind voting to raise the debt limit if it were coupled with a bill that was true tax reform, that made the wealthiest in our society pay their fair share, that provided for good education and health care for our people. Then you could say we had a fair deal. This is not a fair deal. We are raising the debt so the most privileged in our society can have more. We are raising the debt limit so countries like China can have a noose around our neck.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. HARKIN. I ask for 60 more seconds and I will conclude.

Mr. BAUCUS. I yield the Senator 60 more seconds.

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

Mr. HARKIN. It is a shame we have come to this. It is time to rip up the credit card. It is time to take the credit card away from the Republican majority here and from the President of the United States. It is time that we have a fair deal for the people of this country and not impose a new birth tax on every child born in America to pay this interest on the national debt. It is unfair. We ought to turn it down and come back with a fair deal for the American people.

The PRESIDING OFFICER (Mr. ALLEN). The Senator from Montana.

Mr. BAUCUS. I yield 5 minutes to the Senator from North Dakota.

The PRESIDING OFFICER. The Senator from North Dakota is recognized.

Mr. DORGAN. I thank my colleague from Montana and my colleague from Iowa. I listened carefully to his comments.

We are here debating the proposition of increasing the debt limit by $800 billion. We have come through a time in the 1990s when we were actually running budget surpluses. We were paying down the debt. Now we are stacking debt on top of debt on top of debt. This is the most reckless fiscal policy I have ever seen. I didn't vote for it. I don't feel responsible for things I didn't vote for.

Let me say that if this Senate passes an increase in the debt limit and does nothing about the underlying fiscal policy that has created it, then this Senate ill serves the American people.

The President says: You know, we have had an economic slowdown, a recession, war, and terrorism. Yes. So have other Presidents. That is all true. But it seems to me it probably would have augured well for this administration, then, to recognize that things have changed and therefore fiscal policy must change. We are spending $5 billion a month every month in Iraq and Afghanistan—$4 billion in Iraq, $1 billion in Afghanistan. We are not paying for one penny of it. It is all being charged.

This administration says we are fighting a war. Yes, we are fighting a war and guess what, this administration doesn't ask anyone to pay for it. They say we want to give big tax cuts mostly to people at the upper income level. What kind of fiscal policy is that?

Part of this increase in the debt limit, I suppose, is to accommodate something that was done last year on the floor of the Senate. It says, you know what we have to do now? We have to reconstruct the country of Iraq. We want the American people to ante up $20 billion to reconstruct the country of Iraq. I offered an amendment. I said: I don't think we ought to do that. Iraq has the second largest oil reserves in the world. I had soldiers tell me they stood in indentations in the sand and got oil on their boots. I think the Iraqi people ought to pump oil and sell it at $45 a barrel. They will have more money than they know what to do with. But this administration believes the American taxpayer should pay for the reconstruction of Iraq and the Senate should raise the debt limit to make this happen. It is just one domino in this line, but it is a hood ornament of failure.

The question is, When will this place and when will this administration come to its senses? I am not saying one side is all right and the other side is all wrong. But I am saying this: This fiscal policy was constructed at the White House at a time when they said we have so much surplus we don't know what to do with it. Let's start giving it back. Some of us stood on the floor of the Senate and said we ought to be a bit conservative. What if something happens we did not anticipate and things change? A war? A terrorist attack? An economic slowdown?

The President says, no, don't worry about that. The future is bright.

So we put in place tax cut after tax cut after tax cut and we are now choking on red ink and the President doesn't seem to care much at all. He doesn't address it, talk about it, or think about it. I think it's true to the admonition in Bob Woodward's books about the President saying I don't want second guessers around me. Once we decide to do something, that is what we do, and I don't want to talk about it. It seems to me when you have a fiscal policy that created an avalanche of debt for this country, the thing you ought to do—it is like the old southern saying about the law of holes. When you find yourself in a hole, stop digging. Maybe we ought to stop digging. Maybe this administration ought to describe the fiscal policy that stops making this hole deeper. But that is not what this is about today and I regret that.

There is so much to talk about. We are talking about the budget deficits and the accumulated debt. By the way, every penny of the Social Security surplus is being spent.

This administration makes the case that what matters is debt held by the public.

No, no, that is not what matters. It is not just debt held by the public. It is debt held by the public and debt instruments that exist in the Social Security accounts which we are going to have to repay. All of that represents an obligation that this country must meet and it is growing and mushrooming in a way that is dangerous for the future of this country. Everybody knows it except the President, apparently, and those in this Chamber who have decided this President's fiscal plan is moving us in the right direction.

You know the old saying in the western movies: Are you going to believe me or your lying eyes?

The fact is, we understand what is happening here. We see it. Only in this town, where we make an industry out of creating euphemisms, can we have enough sugar to sugarcoat this nonsense. This is awful. This fiscal policy is injuring this country in a very dramatic way. We ought to take a step right now on this debt ceiling limit and decide we are going to tell this administration we demand a change in fiscal policy.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. DORGAN. Let me ask for two additional minutes, if the Senator from Montana has it.

Mr. BAUCUS. I yield 2 minutes to the Senator from North Dakota.

Mr. DORGAN. I am happy to yield.

Mr. HARKIN. I thank the Senator from North Dakota for his great statement. He is very perceptive.

One thing I did not mention, but as he alerted the Senate, we are now being told we will not be able to meet our obligations under Social Security if we continue down this path. Therefore, what we need to do is somehow privatize Social Security and put it out on the stock market, like Enron stock, for future beneficiaries.

I ask my friend from North Dakota to address that further. He touched on it. Now we are going into debt further and further and we have huge tax breaks for the wealthy, for the most privileged among us, and we are being told we will not have enough money to pay our obligations under Social Security.

Is that what is happening now, I ask my friend from North Dakota?

Mr. DORGAN. The response to that is this administration is spending every single penny that comes into the Social Security trust fund. They want to fight the war and do all these things and no one has to pay for it. Don't worry. Be happy. Dance down the sidewalk and be oblivious to what is happening.

We have the largest budget deficit in the history of this country and one that, incidentally, all the experts say you cannot grow out of. But we have our colleagues saying, we will just hang around, thumb our suspenders, and grow out of this. I guarantee we will grow out of it, they huff and puff.

Nonsense. And they know it is nonsense.

In addition to the biggest budget deficit in the history of this country, we have the biggest trade deficit in the history of this country, as well. I worry that one of these days the currency traders are going to look at this and say, as an electronic herd, we are moving elsewhere. When they do, the collapse of this dollar will have enormous consequences.

I ask this President to provide some leadership in a fiscal policy that moves us in a constructive direction.

I yield the floor.

Mr. BAUCUS. I appreciate the discussion with the Senator from Iowa and the Senator from North Dakota.

I ask unanimous consent 20 minutes be reserved for the use of Senator BYRD when he is able to come to the floor.

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

Mr. BAUCUS. I suggest the absence of a quorum, not charged to the minority side but charged to the majority side.

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

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

The Senator from West Virginia.

Mr. BYRD. Mr. President, how much time do I have under the order?

The PRESIDING OFFICER. The Senator is entitled to 20 minutes.

Mr. BYRD. I thank the Chair. I will try to do my speech in less than 20; not much, perhaps, but at least less.

Mr. President, as I begin my remarks today, I am reminded of the brutally candid statement by David Stockman, President Reagan's Budget Director in December 1981, when it became clear that the Reagan tax cuts would cause massive deficits in the Federal budget. In response to a reporter's queries, Mr. Stockman quipped that ''None of us really understands what is going on with all of these numbers.''

I wonder how many of us today understand what is going on with all of these numbers. We certainly do not act as though we do. This administration has plunged the Federal Government deeply into debt, deeply into debt, Mr. President, deeply into debt, which, unless policies change, will mean deficits at historically high levels for the foreseeable future. Former congressional deficit hawks, many of the very same people who for years decried deficit spending, seem perfectly content to go along for the ride.

This week, the Senate is poised to vote to increase the statutory debt limit—it will take place within the hour—for the third time in just 3 years. The $800 billion increase that we consider today follows a record $984 billion increase signed by President Bush in May 2003 and a $450 billion increase signed by President Bush in June 2002. In less than 3 years, under the Bush regime, the debt limit will have soared to the alarming level of $8.2 trillion, with no end in sight to the spending and borrowing.

How long would it take to count a trillion dollars, Mr. President, at the rate of $1 per second? It would take 32,000 years. If you want to know what a trillion dollars sounds like and is, that is it. To count a trillion dollars, at the rate of $1 per second, would take 32,000 years.

Since January 2001, the gross Federal debt has increased $1.2 billion per day. It has increased $50 million every hour of every day. Today, every man, woman, and child in the United States owes $25,206.29 on the debt. In fiscal year 2004, U.S. taxpayers owed $322 billion in interest—in interest? Yes, in interest on the publicly held debt. These are interest payments that do not educate one child, that don't buy one tank, that don't provide health care for one senior citizen. Skyrocketing budget deficits and an ever-increasing, destructive national debt have become not merely facts of life in America today but a way of life for tomorrow and tomorrow and tomorrow, and for the years to come.

Lawmakers may faithfully tout the Bush administration's line that the White House is serious about cutting the Federal deficit, but the American people have yet to see anything that would give them reason to take such claims seriously. Irresponsible spending does not reflect the values of most Americans who must struggle with their own family budget and foot big Federal bills by paying taxes. Oh, how sweet the sound—taxes.

For the last 4 years, we have been operating under Bush budgets. We have been operating under Bush tax cuts. We have been operating under Bush spending bills. The result has been a Bush deficit of $413 billion for the fiscal year 2004.

How much is a billion dollars? We are talking about $413 billion. We are talking about $413 for every minute since Jesus Christ was born. Think of that. We have the largest deficit in U.S. history and an estimated $2.3 trillion in accumulated deficits over the next decade.

The White House will try to blame deficits on the war on terror. There happens to be two wars going on, I remind my colleagues, not just one—one in Afghanistan and the Bush war in Iraq.

Let's look at the whole picture. President Bush reportedly will request an additional $75 billion early next year for the war in Iraq. That is the Bush war. That request follows $203 billion already appropriated for Iraq and Afghanistan, bringing our total commitment to $278 billion for Iraq and Afghanistan. The corporate tax bill that the President signed into law in October will cost $18 billion in the coming 3 years to pay for special interest tax breaks, further increasing budget deficits in the short run.

The White House's own budget office is leaking word that the budget deficit will increase, not decrease, next year when the President submits his budget to the Congress.

The President's Social Security privatization proposal is projected to cost a trillion dollars in the coming decade, and the President's tax and spending proposals will likely add hundreds of billions of dollars more to our Nation's budget deficits. That is to say nothing of our mounting trade deficits that have cost an untold number of American workers their jobs, or the multi-trillion-dollar deficits in the Social Security and Medicare Programs that threaten senior citizens and their retirement and health benefits.

The Bush administration and the Congress have not had the courage to address this mounting debt, and to debate policy changes which might help to bring these deficits under control.

It is hard to believe that only 2 weeks after an intense Presidential election campaign in which both sides, Republican and Democrat, pledged to reduce the size of the deficit, the Senate's first order of business upon returning is to completely ignore those campaign promises and pass this debt limit increase, without a debate, really, about the ways to reduce our Nation's huge deficit.

In his victory speech, George Bush pledged to work with Democrats to unite the country, didn't he? Well, I can think of no better way to demonstrate the commitment behind that pledge than drawing on both parties' avowed aversion to these budget deficits and initiating a constructive, bipartisan effort to move to eliminate them. We know how to do it. We have done it before. We have done it in a bipartisan manner. We have done it successfully, without budget gimmicks, without constitutional amendments. For Heaven's sake, let's don't start down that road of constitutional amendments to balance the budget. We can do it without constitutional amendments, without granting imperious Presidential powers—just using plain common sense.

In 1990, President George Herbert Walker Bush and the 101st Congress negotiated budget enforcement tools and demonstrated the courage to implement them. Every budget guru in Washington, from Federal Reserve Chairman Alan Greenspan to Comptroller General David Walker to former Directors of the Congressional Budget Office, agreed that those tools worked extraordinarily well in bringing our Nation's deficits under control.

Both Republicans and Democrats voted this year to restore pay-as-you-go rules, requiring new mandatory spending and new tax cuts to be offset. Hallelujah. President Bush endorsed those budget enforcement mechanisms in his fiscal year 2004 budget. Hallelujah. But he has now flip-flopped and wants to exclude tax cuts from the requirement that they be paid for.

But here we stand in the midst of renewed pledges by both parties to work together to address our Nation's challenges, and on this issue where so much common ground exists we are unable to muster the political courage to talk about the wolf at our doorstep.

So we will pass this statutory debt increase and then put it out of our minds until we are forced to raise it again. We all should know the folly of this tactic, and as the chickens come home to roost in the years ahead, the American people will surely remind us of it. It is morally reprehensible to deceive the voter by claiming that deficits don't matter.

These destructive debt figures represent a threat—yes, a threat—to the Social Security system—and don't you forget it—a threat to affordable health care for working Americans, a threat to the promise of a college education for our Nation's youth, a threat to the financial underpinnings of our economy, what one editorial in the Washington Post described as "the cold-hearted actuaries of doom."

Economists across the political spectrum are growing increasingly concerned about the effect of these mounting budget deficits on our economy. The U.S. dollar continues to lose value against the Japanese yen, the European Euro, and the Canadian dollar. Investors may soon rather hold the currencies of other nations than our own, and this spells great trouble in boxcar letters, trouble for our country in foreign policy as well as domestic responsibility. Republicans and Democrats increasingly view our Nation as becoming too dependent—too dependent—on foreign investment and with good reason.

According to the Treasury Department, foreign holdings—get that, foreign holdings—foreign holdings comprise half of our Nation's privately held public debt, with much of that debt owed to countries such as China and Korea and entities such as OPEC and the Caribbean banking centers. To these foreign holders, American taxpayers paid $322 billion in interest payments last fiscal year on money borrowed to finance our Government's operations.

Please understand, it is hard to scold China about its human rights policies when we are in debt up to our eyeballs to such foreign entities. With a $413 billion deficit last year, the administration must borrow the equivalent of the entire budget for the Department of Defense, from where? From foreign countries. That means that the Bush administration cannot pay our soldiers in Iraq who are fighting the Bush war, and Afghanistan where a war is going on that I support fully, without having to go hat in hand—hat in hand—to other countries for a loan and handing the U.S. taxpayer a hefty interest premium to boot.

It is great political rhetoric to claim that America does not have to ask the permission of other nations to defend itself or do anything else for that matter, but when we rely so heavily on other nations to help pay our way in the world, our haughty claims of independence are just so much bluff. Unfortunately, the rest of the world knows what we will not admit; that is, we are beholden to foreigners to pay our way.

Make no mistake about it, the threat of budget deficits to our economy is real, and we cannot afford to ignore it any longer.

Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 3½ minutes remaining.

Mr. BYRD. I thank the Chair. I yield back that time. Perhaps I do not have it to yield back, but I shall not use it. I yield the floor.

Mr. THOMAS. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. BAUCUS. Mr. President, I ask that all time be yielded back on both sides.

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

Mr. BAUCUS. Mr. President, I ask for the vote and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is on the passage of the bill. The clerk will call the roll.

The legislative clerk called the roll.

Mr. REID. Mr. President, on this vote, I have a live pair with the Senator from New York, Mrs. CLINTON. If she were present and voting, she would vote "nay." If I were permitted to vote, I would vote "yea." I, therefore, withhold my vote.

Mr. REID. I announce that the Senator from Vermont (Mr. LEAHY) is necessarily absent.

I also announce that the Senator from Delaware (Mr. BIDEN) is absent attending a funeral.

On this vote, the Senator from Nevada (Mr. REID) is paired with the Senator from New York (Mrs. CLINTON).

If present and voting, the Senator from New York would vote nay and the Senator from Nevada would vote aye. I therefore withhold my vote.

I further announce that, if present and voting the Senator from Delaware (Mr. BIDEN) and the Senator from Vermont (Mr. LEAHY) would each vote no.

The PRESIDING OFFICER (Mr. SUNUNU). Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 52, nays 44, as follows:

[Rollcall Vote No. 213 Leg.]

YEAS—52

Alexander	DeWine	Miller
Allard	Dole	Murkowski
Allen	Domenici	Nickles
Bennett	Enzi	Roberts
Bond	Fitzgerald	Santorum
Breaux	Frist	Sessions
Brownback	Graham (SC)	Shelby
Bunning	Grassley	Smith
Burns	Gregg	Snowe
Campbell	Hagel	Specter
Chafee	Hatch	Stevens
Chambliss	Hutchison	Sununu
Cochran	Inhofe	Talent
Coleman	Kyl	Thomas
Collins	Lott	Voinovich
Cornyn	Lugar	Warner
Craig	McCain	
Crapo	McConnell	

NAYS—44

Akaka	Edwards	Levin
Baucus	Ensign	Lieberman
Bayh	Feingold	Lincoln
Bingaman	Feinstein	Mikulski
Boxer	Graham (FL)	Murray
Byrd	Harkin	Nelson (FL)
Cantwell	Hollings	Nelson (NE)
Carper	Inouye	Pryor
Conrad	Jeffords	Reed
Corzine	Johnson	Rockefeller
Daschle	Kennedy	Sarbanes
Dayton	Kerry	Schumer
Dodd	Kohl	Stabenow
Dorgan	Landrieu	Wyden
Durbin	Lautenberg	

PRESENT AND GIVING A LIVE PAIR—1

Reid

NOT VOTING—3

Biden	Clinton	Leahy

The bill (S. 2986) was passed, as follows:

S. 2986

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. INCREASE IN PUBLIC DEBT LIMIT.

Subsection (b) of section 3101 of title 31, United States Code, is amended by striking ''$7,384,000,000,000'' and inserting ''$8,184,000,000,000''.

Mr. MCCONNELL. I move to reconsider the vote.

Mr. LOTT. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

(At the request of Mr. DASCHLE, the following statement was ordered to be printed in the RECORD.)

• Mr. BIDEN. Mr. President, I was not able to participate in today's debate and vote on the extension of the national debt limit. I was attending the funeral of a great civil rights leader in Delaware, Jane E. Mitchell. Had I been here to vote, Mr. President, I would have cast a symbolic vote against an extension of the debt limit. Today's fiscal mess, the transformation of historic surpluses into record deficits, is not an accident. It is the inevitable outcome of policies that consistently ignored evidence and experience.

When we launched out on a course of tax cutting, with expanding domestic and international obligations and responsibilities, many of us in Congress argued that we could not afford to do everything, that we needed a fiscal policy that matched our revenues with our expenditures. Some tax cuts, especially for the middle class, were needed, tax cuts that could have revived job growth and aided economic recovery. Instead, we have a policy that calls for permanent tax cuts that overwhelmingly favor those who are already well off. When twice the administration asked us to appropriate funds for our military actions in Iraq and Afghanistan, I stood here on the Senate floor and said that we should pay for those obligations with smaller tax cuts for our wealthiest taxpayers, and not just pass the bill on to all our children.

We are here today because that advice was ignored, those hard choices were ducked, and the bill for our decisions will be sent to our children and grandchildren, in the form of the additional debt we will authorize today. It did not have to be this way, Mr. President. In the next Congress, the threat of massive deficits, which have made us increasingly dependent of foreign lenders to stay afloat, will still be with us. My symbolic vote against raising the debt limit would have been a protest of the policies that have brought us to this point, and a demand that we change course.•

Mr. MCCONNELL. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

MORNING BUSINESS

Mr. FRIST. Mr. President, I ask unanimous consent that there now be a period for the transaction of morning business, with Senators permitted to speak for up to 10 minutes each.

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

MANDATORY COUNTRY OF ORIGIN LABELING

Mr. JOHNSON. Mr. President, I rise today to discuss an issue of importance not only to South Dakota producers and ranchers, but to producers and ranchers all across America.

The issue involves a program that would not only provide positive benefits for our agricultural producers, but ensure consumer choice in the grocery store aisle and on the dinner table.

There are efforts underway, unfortunately, to gut the mandatory country-of-origin labeling law that was incorporated into the 2002 farm bill, a farm bill signed into law by this President, and which should be supported by this administration. I rise today to express concern that the fiscal year 2005 omnibus appropriations measure may contain provisions which would weaken or replace mandatory country-of-origin labeling with a voluntary country-of-origin labeling program.

As you will recall, last year the Senate overwhelmingly supported a resolution that Senator DASCHLE introduced instructing conferees to strike any language which would delay the implementation of a mandatory labeling program. The omnibus conference recessed hastily, and consequently no opportunity existed to debate and vote on that matter. In any event, the fiscal year 2004 agriculture appropriations bill, the vehicle for the fiscal year 2004 omnibus, contained language delaying country-of-origin labeling by 2 years for all covered commodities with the exception of farm fish and wild fish. This language was adopted by only a small margin in the House. I rise today to urge my colleagues in the Senate to convey their support for this measure and the importance of mandatory country-of-origin labeling.

It is no secret that this administration has voiced its support for resumption of trade of live Canadian cattle, and it is only a matter of time before our producers feel the economic impact of this decision. When USDA opens the floodgates, and if our mandatory labeling program is gutted, consumers will have no way of determining where their meat comes from. And I worry that the Canadian border will reopen before we have resumed trade relations with some of our key export markets. That presents a dangerous situation for our producers, and I fail to see why the administration would continue to cheer large agribusiness while the burden of our faltering export markets is borne by the individuals feeding this great Nation.

Country-of-origin labeling retains support from over 80 percent of American consumers, and recently about 95 consumer and producer groups, representing over 50 million Americans, wrote Congress to express their support for a mandatory food labeling program. They also conveyed their opposition to any effort to turn this program into a voluntary program in the 2005 omnibus appropriations measure. Country-of-origin labeling has overwhelming bipartisan support, and the majority of our trading partners have already implemented a country-of-origin system in their respective countries. It is time to