Federal authorities subsequently charged Kachulis and five coconspirators with conspiracy to kidnap, kidnapping, and obstruction of justice. All six were found guilty. Kachulis was sentenced to life, with the coconspirators receiving terms ranging from 10 years to life.

Such brazen attempts to thwart justice via intimidation and violence have become everyday occupational hazards to those whose duty it is to enforce our criminal laws. S. 2543 will better equip our law enforcement community to brave those hazards. The bill makes "murder-for-hire" a Federal offense. It extends full statutory protection against threats and violence to all persons charged with the enforcement and prosecution of Federal law, the families of those persons, actual as well as potential witnesses, and Government informants. Lastly, the bill provides for increased criminal penalties for offenses involving actual or threatened violence.

American law enforcement daily risks violence and physical harm in an effort to maintain respect and integrity for the law. For its part, the law must be clearly committed to protect and sustain those enforcement efforts. We in the Senate should act without any further delay to adopt S. 2543 as a clear and determined statement of that commitment.●

Mr. CHILES. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant secretary proceeded to call the roll.

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 President, I ask unanimous consent that the order for the quorum call be rescinded.

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

ROUTINE MORNING BUSINESS

The PRESIDING OFFICER. There will now be a period for the transaction of routine morning business.

Mr. STAFFORD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant secretary proceeded to call the roll.

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 President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. HATFIELD. Mr. President, I ask unanimous consent that I may proceed as if in morning business without the time being charged against the budget resolution.

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

THE WAR IN LEBANON

Mr. HATFIELD. Mr. President, the people of Lebanon are dying today. They have been dying now for almost 3 weeks, and no end to their suffering is in sight. Their bodies lie unburied, and, in many families, there is no one left to mourn. They are a people caught in the hatreds of age-old differences. For them, the destruction of the Palestine Liberation Organization, the securing of Israel's northern border, and the triumph of U.S. weaponry over Soviet weaponry offers no solace.

They have been a resilient people—these Lebanese—perhaps too resilient. Time and again, they have taken up their lives in the aftermath of bombing, automatic weapons fire, or artillery rounds. In their acceptance of violence, perhaps they have invited violence. But this time, the destruction may be too great, the trauma too deep. Lebanon and its people may be lost, to become ghosts in some buffer zone where only soldiers feel at ease.

This is no longer the defensive operation of a friend and ally. This is no great opportunity for the United States in the Middle East. This is no solution for the troubles of Lebanon. There is no victory here for anyone. We deceive ourselves if we think otherwise.

Israeli Forces invaded Lebanon on June 4 with the announced aim of pushing PLO forces out of artillery range of Israeli settlements—a distance of some 25 miles. But even as Israeli spokesmen made those first announcements, Israeli Forces already had penetrated beyond that stated goal. And with each new fait accompli—with each new village and town occupied—that goal shifted. It shifted eastward to the Bekaa Valley and the Syrian missiles there. It shifted again yesterday with the bombing of west Beirut, and it threatens to shift to the gates of Damascus and beyond. And as Israeli leaders shift their goals to suit military exigencies, relief supplies are turned back from Lebanon's borders by Israeli military authorities or by fighting and the threat of disease mounts.

What is Israel's goal now—today? Must Lebanon and its people be destroyed utterly in the name of defense? Can Israeli children live in peace only if Lebanese children die in war? I will not countenance that bargain, and I do not believe this Nation can afford to be a silent partner to it.

Israel can stop the fighting now, if its leaders so choose. The dead can be buried, the wounded treated, and negotiations begun to restore Lebanon and its people to a free, sovereign way of life. It is time—but the Israeli Government must seize this moment.

I ask President Reagan to call one last time for an immediate cessation of hostilities. If Israel's leaders choose again to ignore the wisdom of that advice, I strongly urge the President, through the United Nations, to call for the imposition of international sanctions against Israel, to freeze all military aid now in the pipeline for Israel, and to call for a reassessment of his fiscal year 1983 recommendations for military assistance to Israel. We can make no bargain with armed aggressors—friend or foe.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is closed.

FIRST CONCURRENT RESOLUTION ON THE BUDGET—CONFERENCE REPORT

Mr. CHILES. Mr. President, what is the pending business?

The PRESIDING OFFICER. The clerk will report the House amendment.

The assistant legislative clerk read as follows:

The House recedes from its amendment to Senate Concurrent Resolution 92 and agrees to the concurrent resolution with an amendment.

(The text of the House amendment is printed in the House proceedings of the RECORD of June 22, 1982, at page H3723.)

Mr. CHILES. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CHILES. Mr. President, is it in order now to move the adoption of the amendment, move that we concur in the adoption of the amendment, with an amendment?

The PRESIDING OFFICER. It is in order.

UP AMENDMENT NO. 1039

(Purpose: To provide an increase of $100 million over current policy for Federal Law Enforcement Agencies (FBI, Drug Enforcement Agency;) Immigration and Naturalization Service) (F. 750))

Mr. CHILES. Mr. President, I move that we concur in the House amendment with an amendment which I send to the desk. I ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Florida (Mr. CHILES), for himself, Mr. JOHNSTON, Mr. NUNN, Mr. DOMENICI, and Mr. HOLLINGS, proposes an unprinted amendment numbered 1039.

Mr. CHILES. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

Amendment to the House amendment to S. Con. Res. 92:

(a) In section (b)(14) setting forth the appropriate levels of budget authority and budget outlays, for the fiscal years 1982 through 1985, strike out all after "(14) Administration of Justice (750):", and insert the following:

"Fiscal Year 1982:

"(A) New budget authority, $4,500,000,000.

"(B) Outlays, $4,600,000,000.

"(C) New direct loan obligations, $0.

"(D) New primary loan guarantee commitments, $0.

"(E) New secondary loan guarantee commitments, $0.

"Fiscal Year 1983:

"(A) New budget authority, $4,800,000,000.

"(B) Outlays, $4,800,000,000.

"(C) New direct loan obligations, $0.

"(D) New primary loan guarantee commitments, $0.

"(E) New secondary loan guarantee commitments, $0.

"Fiscal Year 1984:

"(A) New budget authority, $4,900,000,000.

"(B) Outlays, $4,900,000,000.

"Fiscal Year 1985:

"(A) New budget authority, $5,000,000,000.

"(B) Outlays, $5,000,000,000."

(b) In section (a)(1) through (a)(3), setting forth the recommended levels of Federal revenues, budget authority and budget outlays for the fiscal years 1982 through 1985, strike out all after "(1) the recommended levels of Federal revenues are as follows:", and insert the following:

"Fiscal Year 1982: $628,400,000,000.

"Fiscal Year 1983: $666,050,000,000.

"Fiscal Year 1984: $738,400,000,000.

"Fiscal Year 1985: $821,900,000,000.

"and the amounts by which aggregate levels of Federal revenues should be changed are as follows:

"Fiscal Year 1982: −$200,000,000.

"Fiscal Year 1983: +$20,900,000,000.

"Fiscal Year 1984: +$36,000,000,000.

"Fiscal Year 1985: +$41,400,000,000.

"(2) The appropriate levels of total new budget authority are as follows:

"Fiscal Year 1982: $777,672,000,000.

"Fiscal Year 1983: $822,650,000,000.

"Fiscal Year 1984: $878,873,000,000.

"Fiscal Year 1985: $961,111,000,000.

"(3) The appropriate levels of total budget outlays are as follows:

"Fiscal Year 1982: $734,100,000,000.

"Fiscal Year 1983: $769,968,000,000.

"Fiscal Year 1984: $822,328,000,000.

"Fiscal Year 1985: $881,856,000,000."

The PRESIDING OFFICER. There are 30 minutes equally divided.

Mr. DOMENICI. That was going to be my question, Mr. President, whether this is an amendment that will come within the 30-minute rule in the Budget Act.

The PRESIDING OFFICER. The Senator is correct.

Mr. DOMENICI. I wonder if my good friend (Mr. CHILES) will agree that we can vote on this amendment at 10:30? If he wants to use 15 minutes, I shall not use anything other than what remains.

Mr. CHILES. That will be fine with me, Mr. President. Then we shall have an up-or-down vote on the amendment at 10:30?

Mr. DOMENICI. We shall not ask unanimous consent. That is what we are shooting for. I shall not use a lot of time and it will probably work out better that way.

It is the intention of the leader that we not vote up or down but that there be a tabling motion first on the amendment. I want to send notice of that.

Mr. CHILES. Mr. President, I hope the Senator is talking about our reducing our time a little bit, which I am perfectly willing to do, but that we may have an up-or-down vote on the amendment.

Mr. DOMENICI. We do not have to reduce the time. I am sorry, the Senator may go ahead.

BUDGET FOR FEDERAL LAW ENFORCEMENT

Mr. CHILES. Mr. President, we are taking the unusual step of seeking to amend the conference agreement on the budget resolution to provide adequate funding for Federal law enforcement activities. We face a continuing crisis of increased activities by organized crime, by drug smugglers and drug dealers. Yet our Federal law enforcement agencies are not being provided the resources they need to keep up with crime, far less to gain on it.

When the Senate first considered the budget resolution as reported by the Budget Committee, the law enforcement agencies were held to a 3-year "freeze." The Senate accepted my argument that organized crime was not going to freeze its activities for 3 years, so we could not afford to freeze enforcement.

Unfortunately, the conference agreement came back below the $4.6 billion freeze level reported by the Senate Budget Committee. I objected to that agreement in conference, and I object today.

Mr. President, I remind my colleagues that we are not dealing here with grant programs that can be picked up by State or local governments. We are dealing with agencies whose budgets are mostly salaries. If we freeze them for 3 years, they will have to cut back on staff. That means fewer drug agents, fewer FBI agents, fewer customs agents monitoring our ports of entry.

The Budget Committee projects inflation of almost 20 percent over the 3 years, 1982 through 1985. A three-year freeze, therefore, would cost the law enforcement agencies 20 percent of their real funding level. For the FBI, that would mean a loss of 550 special agents, or the closing of entire FBI offices.

For the Drug Enforcement Agency, the freeze would mean a layoff of 195 agents, one-tenth of the DEA's authorized strength. I do not know of anyone who thinks we are so far ahead in the war on drugs that we can cut back one-tenth of our agents.

For the Immigration and Naturalization Service, whose burdens of border patrol and processing are increasing every day, a freeze would mean cutting 1,511 people in 1983; cutting another 707 people in 1984; then still another 707 people in 1985. The total loss would be 2,925 staff.

Mr. President, we are getting ready to take up an immigration bill on the floor. The committees have been working long and hard on that. Part of that bill is going to call for further additional enforcement agents for immigration—more border patrol; more agents. Here, we are talking in this resolution about cutting 2,925 staff men of IRS. I do not know how the rest of the States are situated in regard to immigration. I thought we had a national problem, a hemorrhage of aliens coming into this country. I can tell you we have a hemorrhage in my State, and I can tell you that there are nowhere near the number of Immigration and Naturalization Service agents right now to deal with that problem, to even begin to deal with that problem

And what about the Mexican border with Texas and the States that border on the Rio Grande? Do we seriously think that there are sufficient Immigration and Naturalization Service agents today that we can cut approximately 3,000 agents in the next 3 years? My goodness.

I just cannot believe that we are taking actions like that to freeze these particular agencies. What kind of signal do we send to our law enforcement people, do we send to FBI agents, do we sent to customs agents, do we send to DEA agents, to Immigration and Naturalization agents, when we say, "We are cutting back on Government, boys, so we are going to have a little freeze"?

As we know, last year, we actually had DEA agents who had to put their cars on the blocks toward the end of the year because they did not have gasoline to go out and patrol. Their wives tried to have a cake sale in one particular area to try to raise gasoline money. The Justice Department told them that would be illegal, that they could not use those funds. Yet in the face of that and the cutbacks we are already facing, now we are talking about a freeze.

Mr. President, the United States does not have control over our borders today. We cannot control the flow of refugees, or illegal immigrants or anyone who chooses to come in for any purpose. How, then, can we afford to cut back INS staff?

My good friend, the distinguished chairman of the Budget Committee, Mr. DOMENICI, has argued that if we want to provide adequate funds for law enforcement, the Appropriations Committee can take the $260 million out of other programs. But the budgets for everyone are extremely tight this year. We watch the budget conference add back all kinds of money in key areas, because that is what the House leadership said they needed to get enough votes for passage of the resolution. Well, if those areas are critical, as I believe they are, then how are we going to cut them to pay for law enforcement activities?

I really would like to be shown where we can cut $260 million in dis-

discretionary appropriations to pay for law enforcement? I do not know whether we are going to cut education for the handicapped, cut the space program, cut veterans medical facilities or cut somewhere else. The Budget Act requires us to set spending levels by function, and we have done that. Each function has been cut to the lowest tolerable level; some to intolerable levels. So, I just do not see how we can cut something else to pay for law enforcement.

Mr. President, I hope the Senate will recognize the critical need for Federal law enforcement and adopt this amendment.

Mr. HOLLINGS. Mr. President, the distinguished Senator from Florida is right on target. Last year, our President went to New Orleans. He talked to the law enforcement bodies. He described law enforcement as that thin blue line separating civilization from the jungle of violence and crime and then came back. I served as chairman and now as ranking member of the State-Justice-Commerce Subcommittee on Appropriations, so we have the FBI, the Immigration, the DEA budgets on the Appropriations Subcommittee there. When President Reagan came back from New Orleans to our dismay, he proposed cuts in the law enforcement agencies, and we lost many agents. I know as of last year, we had 1,000 fewer FBI agents at the end of 1981 than we had at the end of 1971—with an increased population, and increased incidence of crime, with a greater job to do.

Let us talk about the DEA. Of course, the United States, with its jurisdictional size increased, with the Coastal Zone Management Act and the extension of the jurisdictional lines out to the 200-mile limit of the economic zone—that increased our jurisdictional size by one-third for the DEA, the Coast Guard, and other law enforcement agencies.

So we have a bigger job to do, with some 1,000 agents less. As the Senator from Florida points out, this resolution will cost us another 550 Federal Bureau of Investigation agents, another 200 in DEA. Agents down in Fort Lauderdale had gotten together with cake bakes to get for their cars gas funds that had been eliminated through budget cutbacks. They had been deadlined in my own State's backyard. So this is a real problem.

The funding reductions adopted last year severely impacted the ability of Federal law enforcement agencies to do their job. The following table shows the dollar amount as well as the number of agents reduced in each bureau.

[Dollars in thousands]

		Agents
Federal Bureau of Investigation	$60,722	354
Immigration and Naturalization	37,307	248
Drug Enforcement Administration	8,596	555
Total	106,625	1,157

This is where we get down to where we can talk polemically of spend and spend and tax and tax. Let us not talk at the Federal level about law enforcement because the Congress does nothing to assist that effort. On the contrary, we are cutting funds for law enforcement. I support this amendment against those cuts.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I yield myself 2 minutes.

Let me say to the Senate that from the standpoint of the procedure, we do not normally have the opportunity for floor amendments when we consider a budget conference report, so for those who would think that the assumptions in a conference report for discretionary appropriated accounts are too low, the normal remedy would be to vote against a budget resolution. It so happens that in this instance the product of the conference is outside scope in a couple of areas, principally in the area of medicare and medicaid, because it was the desire of the conference to come in lower—with less cuts—than either resolution. As a result, Senator CHILES has another opportunity to attempt to amend the resolution.

Now, I am not being critical of him. I am merely explaining that normally you would not be able to do what he is doing. You would just say I do not like the resolution because it does not have enough discretionary appropriations, and one of those things that I do not like is this function.

But today, if we vote this amendment in, we will have no budget resolution. After months and months of work we are being asked basically to turn this whole thing down because we want to add $150 million in outlay estimates for function 750, and we want to add $260 million in budget authority for that function.

The numbers we compromised on in conference with the House are very close to what the administration requested for this function. If this commitee had gone through each function item by item we would have found about $200 million in function 450 for EDA that goes to the Commerce, State, Justice Subcommittee on Appropriations that also has jurisdiction over Federal law enforcement activities. The authorizing committee that oversees EDA has already indicated it will probably not reauthorize the EDA program.

The reason I make the point is that we cannot be sure what the Appropriations Committee will do. But if we want to assume that it uses for law enforcement only the exact amounts assumed in this resolution, that would be about $50 million short of the administration's request. On the other hand, if we assume that the other appropriators are as concerned as the Senator from Florida, then it seems to me that they can put less somewhere else and find enough to make do this year.

I just want to make the point to the Senate that we really should not turn down a budget resolution coming back from conference through adoption of an amendment at this point in time. Only because of a procedural accident is there an opportunity to amend the conference agreement today. I say to those who really think that issue is not with the appropriators, but with the Budget Committee, you can go ahead and vote with the distinguished Senator from Florida and then we will have no budget. I think the better course is to get on with the last 2½ months of work. Let us get a budget. Let us see whether Congress wants to implement it and enforce it. Let us assume that our appropriators will put law enforcement activities very high on their priority list and we will not suffer the conseqences as described by Senator CHILES, consequences about which he and many of the rest of us are legitimately worried.

The PRESIDING OFFICER. Who yields time?

Mr. CHILES addressed the Chair.

The PRESIDING OFFICER. The Senator from Florida.

Mr. CHILES. I listened with great interest to this accident we are talking about, this window that kind of happens to give the Senator from Florida an opportunity to address this problem, by offering this amendment, which was occasioned by the fact that the majority conferees wanted to monkey with the figures in the budget resolution. And they wanted to do that in order to get a few more votes and to try to adjust a few more budget functions. So, through some closed meetings that were had, we find that the majority brought back sort of a package. None of us had an opportunity to change that package. We did not have a normal conference where you go in and you sort of go through each item. We received a package that was already there. It was already worked out. And through the negotiations that went on between the Republicans of the House and the Republicans in the Senate we had this package presented. Of course, in that package, the majority cut out the law enforcement figures that the Senate had put in on my floor amendment.

There are two bills pending on the Senate Calendar now that are trying to present a package of anticrime bills. The Senator from Florida is a cosponsor with Senator NUNN in one of those, S. 2543, and a cosponsor with Senator THURMOND and Senator BIDEN in another one, S. 2572. One of those has 17 cosponsors. One has 50 cosponsors. That is 50 people in the Senate, and another 17 on another bill, who are saying, "We are concerned about crime." The President has said he is concerned about crime. The Attorney

General has said he is concerned about crime and has presented a package of bills. The Senate caucus of the Democrats have said they are concerned about crime and they have gone on record. The Republicans have said they are concerned about crime and they have a package of bills. Everybody is concerned about crime. So what are we doing? We are so concerned about it that we are going to cut a few thousand agents. We are going to cut a few thousand people but that is not important. This budget resolution is important.

Yesterday, I say to my distinguished friend from New Mexico, I saw an amendment to the emergency supplemental bill sent back to the House because that was important; that had something to do with the amount of money Senators can receive from speaking engagements, so that was pretty dadgum important. I did not hear anyone say there, "Do not tamper with this bill because this might doom this bill to failure." Everybody said that this is the legitimate parliamentary device under the rules of Congress where we have a chance to address a matter as serious as this, how much we are going to be able to receive for our speaking engagements and so we jolly well address that. We sent that back to the House and said, "If you want this emergency supplemental, you better agree with our amendment." But today we are told not to be concerned with 3,000 border agents, with a hemorrhage at our borders, not to be concerned with whether we are going to cut DEA 10 percent, not to be concerned that you are going to cut 500 FBI agents, not to speak of the customs agent. Do not be concerned about that because it is more important that we get this budget package going down the track.

We waited days and days, and we have had plan 1, plan 2, and plan 3. I know of no reason why we should not adopt the House amendment with an amendment and send it back to them and simply say the Senate says crime is important. The Senate says we need to do something about law enforcement.

The 50 Members of the Senate that have cosigned the Thurmond-Biden bill, the 17 Members that have co-introduced the Chiles-Nunn bill, and all of the Democrats and all of the Republicans who have talked about crime so long and hard feel at this time that we should not cut these particular moneys; we should take this opportunity to say we think this is important, it is in our national interest to speak to this question. That is what this amendment gives us a chance to do.

I do not see how any Member of the Senate can say, "I am a cosponsor of one of these bills, I am telling my people back home that I stand long and hard and firm on crime, but I just had to vote with the distinguished chairman from New Mexico, I had to go ahead and cut 3,000 border patrol agents, cut the 500 FBI agents because it was very important that we get that budget resolution that only has a little over $100 billion deficit. It is very important that we get that on the way; it is going to do so much for the economy." That just does not add up.

Mr. President, I ask unanimous consent to have printed in the RECORD a table comparing our amendment to the House and Senate levels, showing that the conference gave up virtually all of the Senate positions to the House in this function.

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

CHILES AMENDMENT TO BUDGET RESOLUTION CONFERENCE REPORT

[In billions of dollars]

	fiscal year 1983		Fiscal year 1984, BA and 0	Fiscal year 1985, BA and 0
	BA	0		
Senate-passed	4.9	4.9	5.0	5.1
House-passed	4.4	4.5	4.3	4.25
Conference substitute	4.54	4.65	4.5	4.5
Chiles amendment	4.8	4.8	4.9	5.0
Over conference	+.260	+.150	+.4	+.5

Assumptions: (1) Law enforcement agencies (FBI, Drug Enforcement Agency, Customs Service, Immigration and Naturalization Service) receive current policy, plus $100 million real increase; (2) Legal Services Corporation, Juvenile Justice are held to current funding levels (conference agreement assumes they are cut $100 million in fiscal year 1983).

Mr. CHILES. Mr. President, I ask unanimous consent to have printed in the RECORD two tables prepared by the Senate Budget Committee's majority staff for our markup.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

TABLE I.—FUNCTION 750: ADMINISTRATION OF JUSTICE, HISTORICAL DATA

[Outlays in billions of dollars, fiscal years]

Major program	Actual				
	1976	1977	1978	1979	1980
Federal Bureau of Investigation	0.5	0.5	0.6	0.6	0.6
Immigration and Naturalization Service	.2	.2	.3	.3	.3
Drug Enforcement Administration	.1	.2	.2	.2	.2
Customs Service	.3	.3	.4	.4	.5
The Judiciary	.3	.4	.4	.5	.6
Law enforcement assistance; research and statistics	.9	.8	.7	.7	.7
Legal Services Corporation	.1	.1	.2	.3	.3
Federal prison system	.2	.2	.3	.3	.4
All other	.7	.9	.7	.9	1.0
Total function	3.3	3.6	3.8	4.2	4.6
Nominal growth (percent)	14	9	6	11	10
Real growth (percent)	8	2	−1	1	1

Source: Senate Budget Committee.

TABLE II.—FUNCTION 750: ADMINISTRATION OF JUSTICE, HISTORICAL DATA

[Outlays in billions of dollars, fiscal years]

Major program	Actual 1981	Revised baseline			
		1982	1983	1984	1985
Federal Bureau of Investigation	0.7	0.7	0.8	0.8	0.8
Immigration and Naturalization Service	.4	.4	.5	.5	.5
Drug Enforcement Administration	.2	.2	.2	.2	.3
Customs Service	.5	.5	.5	.5	.5
The Judiciary	.6	.7	.7	.8	.8
Law enforcement assistance; research and statistics	.5	.3	.1	.1	.1
Legal Services Corporation	.3	.2	.3	.3	.3
Federal Prison System	.4	.4	.4	.4	.4
All other	1.1	1.1	1.3	1.3	1.3
Total function	4.7	4.6	4.8	4.9	5.0
Nominal growth (percent)	2	−2	4	2	2
Real growth (percent)	−7	−8	0	−5	−5

Source: Senate Budget Committee.

Mr. CHILES. Mr. President, table I shows that the law enforcement agencies' budgets have hardly grown over the last 5 years, a period when there has been tremendous real growth in the overall Federal budget.

Table II is even more telling. It shows that the figures in our amendment will only bring function 750 spending up to the projected current policy baseline for the years 1983 through 1985. Even if we achieve that baseline level, spending for law enforcement and justice will decline by 10 percent in real terms.

So the budget we are proposing is really very tight. The only way we will be able to get improvements is law enforcement is by restraining other programs in this budget function. But to cut it down as low as the conference committee proposal will just not be tolerable.

The PRESIDING OFFICER. Who yields time?

Mr. DOMENICI. I yield myself 2 minutes.

Mr. President, I say to the Senator from Florida that I would be ready now, but I am waiting for the leader. I have a couple of minutes, so I will respond to some of the Senator's allegations of "monkey business."

The Senator from Florida indicated that the reason we came back in disagreement is that some "monkey business" occurred. I do not argue with either him or the distinguished ranking minority Member, when they talk about Stockman 1, Domenici 2, Stockman 3. Indeed we did work on budget options in private meetings with BOB MICHEL and others.

I am sorry there was no other way to get a budget, but the reason the conferees went out of scope had nothing to do with private meetings. It was done openly, in public, by the conferees when they approved the functional numbers and the reconciliation instructions. The Senator from Florida was not there. He had been very diligent. That really is the "monkey business" that puts us on the floor with amendments being in order.

If there are going to be cuts in DEA, FBI, the law enforcement people, about which my good friend from Florida is concerned, this budget is not going to do it. The Appropriations Committee is going to do it.

I had the staff look at all of the budget authority that is going into the Appropriations Committee's crosswalk, and I find that for domestic discretionary programs, the budget authority being sent to the committee is, for all domestic programs, equal to the 1982 levels.

If the Appropriations Committee wants to move that money around so that they put law enforcement at high enough priority to receive additional funding, it seems to me that can readily be done. There are some programs that are not going to be funded as they were in 1982, such as DEA and others. Some of that money could be moved into law enforcement and we need not have the results that the distinguished Senator from Florida wants to prevent.

Mr. BAKER. Mr. President, it had previously been indicated, I believe, and announcements were made last evening and perhaps again this morning—on the cloakroom line on this side, at least—that there would be a tabling motion against the Chiles amendment. There seems to be strong sentiment by the Senator from Florida that he would like to have an up-and-down vote. The Senator from New Mexico indicates that he has no strong preference one way or the other.

I believe this would be a logical tabling motion, but I have no objection to an up-and-down vote. Since we already have an order for a vote at 10:30, I am prepared to go ahead now and vote up and down, if the Senator from Florida is prepared to do so.

Mr. CHILES. Mr. President, I yield back any time I have remaining.

Mr. DOMENICI. I yield back the remainder of my time.

Mr. CHILES. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to concur in the House amendment to Senate Concurrent Resolution 92 with an amendment. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Delaware (Mr. BIDEN), the Senator from Nevada (Mr. CANNON), and the Senator from Hawaii (Mr. MATSUNAGA) are necessarily absent.

I further announce that, if present and voting, the Senator from Delaware (Mr. BIDEN) would vote "yea".

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 33, nays 64, as follows:

[Rollcall Vote No. 193 Leg.]

YEAS—33

Bradley	Heflin	Metzenbaum
Burdick	Hollings	Moynihan
Chiles	Huddleston	Nunn
Cranston	Inouye	Pell
DeConcini	Jackson	Randolph
Eagleton	Johnston	Rudman
Exon	Kennedy	Sarbanes
Ford	Leahy	Sasser
Glenn	Levin	Specter
Hart	Long	Tsongas
Hawkins	Melcher	Weicker

NAYS—64

Abdnor	Domenici	Murkowski
Andrews	Durenberger	Nickles
Armstrong	East	Packwood
Baker	Garn	Percy
Baucus	Goldwater	Pressler
Bentsen	Gorton	Proxmire
Boren	Grassley	Pryor
Boschwitz	Hatch	Quayle
Brady	Hatfield	Riegle
Bumpers	Hayakawa	Roth
Byrd, Harry F., Jr.	Heinz	Schmitt
	Helms	Simpson
Byrd, Robert C.	Humphrey	Stafford
Chafee	Jepsen	Stennis
Cochran	Kassebaum	Stevens
Cohen	Kasten	Symms
D'Amato	Laxalt	Thurmond
Danforth	Lugar	Tower
Denton	Mathias	Wallop
Dixon	Mattingly	Warner
Dodd	McClure	Zorinsky
Dole	Mitchell	

NOT VOTING—3

Biden	Cannon	Matsunaga

So the motion to concur in the House amendment to Senate Concurrent Resolution 92 with an amendment (Chiles UP amendment No. 1039) was rejected.

Mr. DOMENICI. Mr. President, I move to reconsider the vote by which the motion was rejected.

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

The motion to lay on the table was agreed to.

(Later the following occurred:)

Mr. HOLLINGS. Mr. President, I yield to the distinguished Senator from Delaware.

Mr. BIDEN. Mr. President, this morning when the Chiles amendment was voted on I was necessarily absent. I had to take my young daughter to a hospital, and everything is fine with my daughter, but I missed the vote. And having said this and begging the Senate's indulgence for being so personal on a matter I would not have mentioned that except the vote this morning was of great importance and interest to me and I regretted deeply missing it.

I wish at this point, although I am not asking unanimous consent to be recorded but to have it recorded in the record had I been here I would have voted and spoken on behalf of the Chiles amendment.

Mr. President, as the ranking member of the Judiciary Committee and the chairman of the Democratic Task Force on Crime, I support Senator CHILES amendment which would relieve Federal law enforcement agencies of a budget freeze at current level appropriations through 1985. A freeze in this area would undoubtedly mean a reduction in personnel for labor intense agencies like the U.S. Attorney's, FBI, Drug Enforcement Administration, and Customs.

I need not spend a lot of time explaining how the Federal law enforcement agencies are already losing ground against drug traffickers and organized crime. Today we have 8 percent fewer Federal Bureau of Investigation agents than we did in 1975; Drug Enforcement Administration has 11 percent fewer personnel than it did in 1979. The U.S. Attorney's, which are screening out over 50 percent of their cases partially because they are understaffed, have 101 fewer positions and State and local assistance funds for law enforcement have been cut by 75 percent since 1980. Since 1975 violent crime in America has gone up 33 percent and the drug trafficking business is estimated to be a $85 billion a year business.

This budget proposal will increase national defense by over $100 billion in the next 3 years. I cannot believe that this body does not believe it essential to spend one-half a percent of that figure on improving domestic defense. Other than the economy there is no other issue our constituents are more concerned about than crime.

Last year we worked in a bipartisan manner in blocking administration cuts that would have eliminated 434 positions in the Drug Enforcement Administration, 340 agents in the Federal Bureau of Investigation, froze undercover investigations, froze personnel in the U.S. Attorney's Office—which was already 14 percent understaffed—and eliminated all State and local drug task force programs.

Again, in a bipartisan manner last month, we voted not to subject law enforcement agencies to a budget freeze when the first budget resolution was voted out of this Chamber of Congress.

Just as it was clear to this body then, it should be clear now: We cannot afford to make budget cuts to law enforcement programs.

Mr. President, the crimes of burglary and robbery alone cost this Nation more than $8 billion in property lost or damaged a year. This does not include such things as the increase in the price of goods to pay for security and insurance.

But the real cost of crime is the physical and mental anguish that victims, family members, and friends suffer for every crime that occurs. There are no statistics or dollar figures that can put in perspective the damage and hurt that occurs when you or a family member or friend are a victim of crime.

It is time to stop the rhetoric on the crime issue and spend the money so that we at least give our law enforcement people the tools necessary to do the job. As you well know, criminals are not cutting budgets. If a greater commitment to specific law enforcement, prosecution, judicial and correction agencies is necessary, then we must face that fact and make the commitment.

I ask my colleagues to support this amendment.

Mr. DOMENICI. Mr. President, I understand now that the distinguished Senator from Ohio (Mr. METZENBAUM) desires to discuss the issue, and we have 5 hours to further discuss the proposal before the Senate, and I yield to the distinguished Senator from Ohio.

The PRESIDING OFFICER. Before the Senator begins, let me ask the Senator——

Mr. ROBERT C. BYRD. Mr. President, the Senator from Ohio will have to seek recognition. One Senator cannot parcel out time to another Senator.

The PRESIDING OFFICER (continuing). The Senator is correct. The Chair was about to recognize the Senator from Ohio. The Senate will please be in order.

The Chair is advised that until the motion is made to concur, there are 30 minutes evenly divided between the majority leader and the minority leader on the House amendment.

Mr. DOMENICI. Mr. President, I move that the Senate concur in the amendment of the House in the nature of a substitute to Senate Concurrent Resolution 92.

The PRESIDING OFFICER. The motion is in order. There are 5 hours of debate.

The Senator from Ohio.

Mr. METZENBAUM. Mr. President, may we have order in the Senate?

The PRESIDING OFFICER. The Senator is correct. Will the Senate please come to order.

The Chair is advised that——

Mr. HOLLINGS. Mr. President, I yield the time on our side to the Senator from Ohio.

The PRESIDING OFFICER (continuing). The Senator from Ohio.

Mr. METZENBAUM. Mr. President, we have before us today the so-called conference report on the budget, and we have had a lot of discussion—may we have order in the Senate, Mr. President?

The PRESIDING OFFICER. The Senator's point is well taken. The Senate will be in order. Those wishing to confer please leave the Chamber and repair to the cloakrooms.

The Senator from Ohio.

Mr. METZENBAUM. Mr. President, all of the discussion in connection with this budget has related to the question of how many billions up or down, how far the budget is in a deficit position or whether or not it is $103 billion or $116 billion or whether or not we can find $2 billion here or $2 billion there.

None of the discussion has related to the real impact of this budget on the people of America, and it is a sad reality that we have been more concerned about what Wall Street is going to say about this budget than we are about what the people on Main Street and the people back home are going to say about this budget and what its impact is going to be.

Not one word has been said about the human equation, about what happens when you cut billions of dollars out of the Federal budget on human services programs and go on your merry way. Nobody has talked about that. Nobody seems to care. Nobody is concerned. Yet the White House pushes forward relentlessly saying, "We have got to have this budget."

Well, let us not kid ourselves. When all is said and done it is much ado about nothing because you have a $115 billion deficit in 1983, almost twice the amount of any previous administration's worst deficit, and you have got something like $90 billion in 1985, probably 150 percent of the highest deficit ever before in the history of this country.

But having said all of that, you would have thought with all the time and effort that have been put into this subject that some thought would have been given to its impact upon people.

Mr. President, I object to being expected to speak further while all of this conversation is going on. The Senate is not in order.

The PRESIDING OFFICER. The Senator's point is well taken. The Senate will please be in order. Those Senators wishing to converse will do so in the cloakroom.

Mr. METZENBAUM. Mr. President, the President now has had his first budget resolution. He has his second budget resolution, he has his tax bill and he has also picked up something else along the way—he has a real recession in America.

The President, according to the Wall Street Journal of June 10, indicates that the people at the White House are more and more concerned about the perception that the Reagan administration is seen as a reverse Robinhood. Instead of robbing from the rich, the Reagan administration is seen as robbing from the poor. According to a recent Gallup poll, people at the White House cannot understand why 60 percent of the public thinks that the administration does not care about the poor, while 75 percent believes that the administration does take care of the rich.

Every single thing in this bill, every provision of this bill, every provision of this budget resolution will only add more to the rich and take more away from the poor.

The administration does not want to acknowledge that its policies are nothing better than the trickle down policies of Herbert Hoover, dusted off and rejuvenated for the 1980's.

Now, we heard those policies enunciated once before in the halls of Washington. They came from a man by the name of Charlie Wilson, head of General Motors, who some years ago said, "What is good for General Motors is good for the country." But the fact is that is not the reality of life and the people of this country are soon going to learn that as they learn of the impact of this budget that is about to be passed.

I stand on the floor today not for the purpose of persuading anybody to change their vote. I am well aware of the fact that will not happen.

But I think every person who votes on this budget ought to understand full well what its impact will be upon America, ought to understand the impact of the earlier passed budget and this budget and the impact of increased defense spending and the cuts in taxes. And the bottom line result is a recession in America, 10-percent unemployment, 12 percent in my own State, continued high interest rates, and no movement forward.

The result of the two budgets and the tax cuts and the increased defense spending means that the America that we leave to our children will not be nearly as great as the America that we found here. But this administration does not want to deal with the problems it has caused for millions of Americans. It is only concerned with its image.

Back some months ago, the Washington Post had a story "Change Sought in Reagan Image. Fairness to Poor Offensive Launched. Administration Seeks to Change Administration Image Toward the Poor."

Then they went on to quote Reagan, the President of the United States.

> During his recent trip to Alabama, Tennessee and Oklahoma, Reagan described his tax reduction program as "the best darn thing that's been done for working and middle-income people in nearly 20 years" and stressed his "real compassion" for people who cannot help themselves. The tax cut, he said repeatedly, will create jobs and "most of the benefits will go to average citizens in your hometowns."

Well, that is not the way the media of this country has been reporting it. On April 5, 1982, Newsweek magazine had a cover story, a picture of a little waif and the headline on the story was: "Reagan's America, and the Poor Get Poorer." And when you read what Newsweek had to say on that subject, you pretty well understood what the issue is all about.

The Newsweek article stated:

> Ronald Reagan took the podium in New York last week to defend himself against what he believes is nothing more than a cheap political shot: the charge that both he and his policies are indifferent—even hostile—to the nation's poor. The occasion was a $250-a-plate dinner for the National Conference of Christians and Jews, which made Reagan the first incumbent President to receive its Charles Evans Hughes humanitarian award. His nomination was highly controversial, and the hotel where the honor was bestowed was flanked by 10,000 demonstrators protesting his policies at home and abroad. Reagan accepted the medal with characteristic graciousness—then declared his dismay at the rising chorus of criticism. "Today I'm accused by some of trying to destroy government's commitment to compassion and to the needy," he said. "Does this bother me? Yes. Like

FDR, may I say I'm not trying to destroy what is best in our system of humane, free government—I'm doing everything I can to save it."

It was a candid admission of what one White House aide termed "a significant political headache for the President"—the public's growing perception that Ronald Reagan favors the rich over the poor and that his policies will effectively widen the gap between them.

But that is not the only place they have been talking about Reagan's image with the poor. On June 10 of this year, the Wall Street Journal, in one of its lead stories wrote:

Damaging view. White House strides to combat the feeling Reagan is insensitive. Image of "Robbing the Poor" Persists, but aides say it is a problem of perception.

Mr. President, if it is a problem of perception in the past, it will be a reality in the future under this budget that we are going to pass here today, without my vote, I might say, and without the vote of many others in this body. What we really have today in this country is a double standard, one standard for the rich and powerful and another for everyone else. More than a million Americans have already exhausted their full 6 months unemployment benefits.

And what does somebody expect them to do? What do they expect those people to do? To go on welfare? If they have no savings, what other choice do they have? Where is the compassion, where is the humanity, where is the concern? All that we hear is, "Balance the budget," and it has been a total failure in that respect. But, unfortunately, it has not been a total failure in coming down harder and harder and harder upon working people, middle-class Americans, and poor people.

And what does the Republican National Committee say about this? Well, let me quote to you what the Republican Party's National Finance Committee chairman stated just a few days ago. And you have got to listen to this and the impact of it.

Said he, "The recession has been a beneficial and cleansing tonic."

Beneficial for whom? "Cleansing tonic." What is he talking about? What kind of a man can the chairman of the Republican National Committee finances be and say that the recession is beneficial? What has happened to this crowd? Have they no heart? Have they no concern? Have they no feeling?

Now the Reagan administration is going over the social security disability file and terminating benefits in an astonishing 45 percent of the cases reviewed. People on social security disability, getting a benefit because they cannot work, because they are disabled, and without any reason or rhyme, just going forward and taking them off the disability benefit rolls and forcing them to go to the appeal process.

That is a 45-percent cutoff. But even more astonishing is the fact that the Social Security Administration's own administrative law judges are actually reversing those decisions in 70 percent of the cases.

But while a case is pending, there are no benefits, there is no income, and there is travail. Some in my own State have been known to take their own lives because of the termination of the social security disability benefits.

(Mr. DANFORTH assumed the chair.)

Mr. METZENBAUM. Oh, this is a great administration. This is an administration that speaks extremely well, but does not act nearly as well.

After his election, Mr. Reagan appointed as the VA Administrator a man who has publicly compared the effects of agent orange to those of teenage acne. Imagine the absurdity of that.

While slashing programs for Vietnam veterans on the ground that they represent coddling, that same VA official appropriated for himself an unauthorized chauffeur at the cost to the Government of $6,414.

Every time I go to a Budget Committee hearing, every time I sit in a meeting, someone comes up with a figure about how we are going to eliminate a lot of waste and fraud, how we are going to cut back on Government spending. Well, the facts do not speak too well in that area. U.S. News & World Report, on March 15, 1982, did a whole article about the fact that the crowd that is in the White House and serving in the Cabinet is the first to spend money lavishly without concern, without care.

Ronald Reagan ordered a sharp cutback in Federal travel expenditures and when he did that it was understood that across the board there would be those kinds of cuts. But the fact is his people are still traveling first class, not economy, even using the Concorde airplane to cross the Atlantic, spending $350 a day for hotel suites, and hundreds of dollars a day for stopover vacations while on trips. And even that great head of the Federal Reserve Board, who is so concerned about a tight money policy, never sees fit to fly any way except first class.

They seem to be saying, it is all right for most Federal workers to be held to strict accountability, but do not hold their bosses to strict accountability.

It was all right for David Stockman to come before the Budget Committee and tell us how we should cut back on food stamps, the school lunch program, the school milk program, the women and infant children program, and all the other programs, but when David Stockman had to go to Baton Rouge to make a speech, good David did not see fit to travel the way the rest of us travel, but on a special plane. No, in order to get to Baton Rouge, he had to get an Air Force Saber jet to take him down to make his political speech.

And he is not the only one. When the Secretary of Commerce wanted to go out to Tucson, Ariz., it did not bother him that there are plenty of commercial flights back and forth to Tucson, Arizona—he had to go deluxe. So he spent, from the taxpayers' money, $11,243 for a Lear jet to take him to Tucson to make his speech.

As a matter of fact, it is rather interesting in connection with that flight that the Federal excise tax, which was $535.41, was actually $18 more than the lowest round trip fare between Tucson and Washington.

And when the Transportation Secretary wanted to go down to Mexico, he had to go the best way possible, taking some family and friends along with him. He spent $31,246 of the taxpayers' money, using a Coast Guard 1 plane, a 12-seat Coast Guard plane.

It is great to talk about economy; it is great to talk about how we are going to save money; it is great to talk about eliminating waste; but not for the high mucketymucks of the Reagan administration. No, they have to travel the best way possible.

I like the Deputy Secretary of Transportation. I like his reason for traveling first class instead of traveling coach. His argument was he had to go first class instead of coach because he would not have been able to reach his destination in time if he had gone coach. My question is, Does he mean that the front of the plane gets there a little bit earlier than the back of the plane? I do not know.

Even our Secretary of Defense, the great Cap the Knife, travels pretty fancy. Last June the Secretary of Defense, Caspar Weinberger, joined members of the Grocery Manufactures of America when they met at the luxurious Green Brier Resort in White Sulphur Springs, W. Va. Cap made a speech. He spent two nights at the hotel. The bill for the Secretary and three aides came to $3,650, almost all of which was paid out of a $300,000 Pentagon fund that is designed "to maintain the standard prestige of the United States."

You have to maintain the standard and the prestige by keeping the Secretary of Defense in those fancy summer and winter resorts.

And then he made five trips to Maine on Air Force executive jets, all at the taxpayers' expense, all to his vacation home in Bar Harbor, Maine.

Mr. President, maybe those little items will not balance the budget, but it is an indication of what this administration is all about. They live high off the hog and let the people eat with the pigs. They just do not seem to care at all about what is happening to people in American.

A couple of weeks ago I listened to the President's address which was transmitted via satellite from Europe. I must tell you frankly I was disappointed. Ronald Reagan talked about his visit to France, Britain, Germany, and Italy. It was a magnificent travelog. He talked about the anniversary of D-Day and the Marshall plan. But he did not say a word about the most devastating economic conditions we have seen in American since the days of Herbert Hoover.

So I had an opportunity to respond to him, to respond to him and point out to him on behalf of the Democrats that in the 10 weeks since he began his series of broadcasts, 700,000 more workers joined the ranks of the unemployed. Each Saturday he spoke, and for 10 weeks he made his remarks to the American people, an average of 70,000 per week more joined the ranks of the unemployed during each of those weeks.

And during the same 10-week period, unemployment benefits ran out for nearly a million people, a million willing workers who have now been jobless for 6 months or more.

And in that same 10-week period, 4,200 businesses of all sizes, from the corner grocery store to Braniff Airlines, filed for bankruptcy.

That, Mr. President, is the highest rate of business failures in the past 50 years. But does the White House care? No.

That is the highest rate of business failures since the Depression year of 1932. Does anybody down on Pennsylvania Avenue really care or feel for those who have gone bankrupt?

Do they care about the fact that American farmers are losing their farms by the thousands? There is not one iota of evidence to suggest that there is any feeling, that there is any concern about the real problems of America.

Image, yes. But when it comes to the reality of the kind of America we have, nobody cares. Nobody will lift a finger to do anything about it in this White House, this Republican administration.

Thousands of American families face the possibility of losing their homes, their cars, and what is left of their human dignity. I remember two women from Ohio who are wives of unemployed steelworkers who came to Washington to speak to the problem of unemployment in their community. They met with the Vice President of the United States and he was very considerate in listening. I sat in with those women and they said:

> Mr. Vice President, the American dream used to be that the average person wanted to be able someday to own his own home and own his own car.

They said,

> Mr. Vice President, today, the problem is will we be able to retain the home and the car that we now own?

Our country, Mr. President, is in trouble, deep trouble. The American people know it, but the Reagan administration does not know it, does not care about it, and does not have a policy to deal with this human suffering.

Several months ago, when the economy did not take off, what did the President do? The President blamed the Carter administration. Later, he blamed 40 years of Government mismanagement. That would have been under the administration of Franklin Delano Roosevelt. Then he said 50 years. That would be under the administration of Herbert Hoover. Then, when that did not seem to work, he blamed the media for reporting the bad news from south Succotash.

Now, Mr. President, the President of the United States is blaming the Democrats—blaming us for his tax bill, blaming us for his budget bills. He was so anxious to get them through, and he was successful in every single detail. He was also successful in creating a recession in America.

Mr. President, it is not a question of who is to blame. I say to the President, there is nothing to be gained by looking for scapegoats. Ten million unemployed do not care whether the blame rests on the President or on the Congress of the United States. They care about one thing and one thing alone: They want and they need their jobs back.

Thousands of farmers and small business people do not want and do not need lectures on supply-side economics. They need lower interest rates. Thirty-six million senior citizens should not be living in fear of Republican raids on their social security. They need a Government that lives up to its promises.

Ronald Reagan ran against waste in Government. Today, his administration does nothing in the face of the greatest waste of all, the waste of production from our idle factories, the waste of crops from our bankrupt farms, the waste of skills of millions of jobless Americans.

The time has come to act. The country has had enough of government by anecdote and bumper-sticker slogans.

But are we acting? Yes, we are passing a budget bill. Whom we are going to make happy, I am not sure. It will not solve one single problem in America, but at least Congress will be able to say we passed a budget bill. And it is a budget bill that will penalize the poor. It will penalize middle-income Americans. And nobody cares.

On June 20, just a few days ago, the New York Times had an editorial entitled, "What? Penalizing the Poor?" I think it so well addresses the problem that I want to share it with my colleagues in the Senate. Said the New York Times:

> There he goes again. In Houston last week, President Reagan denounced "the special pleaders" who go about "campaigning against our budget cuts as penalizing the poor." As he has insisted repeatedly, "There have been no budget cuts"—only slower spending growth.
>
> That's the kind of statement that has given Mr. Reagan such a reputation for compassion. (Gallup reports that 65 percent of the public thinks he doesn't care about the poor while 75 percent thinks he does care about the rich.) Almost any way you slice the budget figures, spending for people in need is being cut. The poor are being penalized. The special pleaders, if that's how Mr. Reagan thinks of advocates for the voiceless poor, are right.
>
> What is the President thinking of when he keeps saying there are no budget cuts? Welfare? Impossible. In 1981, about $8.1 billion was spent for Aid to Families with Dependent Children, the main welfare program. Mr. Reagan cut that to $7.8 billion for 1982, and proposed chopping it to $5.5 billion for 1983. The new Congressional budget figure, $6.4 billion, is almost generous by comparison.
>
> Can the President be thinking of jobs and training? Also impossible. The 1981 spending figure was $5.6 billion. He cut that to $4.3 billion in 1982 and proposed a bare $2.4 billion for 1983. The Congressional figure is $3 billion-plus.
>
> Or, most important of all, when he says no budget cuts, can the President be thinking of hunger? Outside Puerto Rico, Washington spent $10.3 billion for food stamps, the main anti-hunger program, in 1981. The 1982 figure will be $10.6 billion. For 1983, the President proposed $9.6 billion. That is not a decrease in the rate of increase. It is a decrease, plain, simple and painful.
>
> Food stamp benefits have not been adjusted for inflation since September 1980. Food now costs about 9 percent more.
>
> If not welfare, if not jobs, if not even hunger, it's hard to imagine what Mr. Reagan does have in mind when he says there are no budget cuts that penalize the poor. Does he think no one will examine such statements? Or does he believe that repeating them often enough will somehow make them accurate?
>
> Life is hard enough for poor people when, in a recession, the Government helps them less. It does nothing for Mr. Reagan's stature or the country's conscience when he keeps saying that less is more.

I think, Mr. President, I am not only concerned with what is happening to the poor, but also with the other components of the budget. We have been attempting to pass this budget for over 6 months. What do we have in the budget? We have a defense budget that will increase by $100 billion over the next 3 years. In 1980, the defense budget was $135 billion. In 1983, 3 years later, defense spending will be $251 billion, almost doubling the single largest program in the Government within 4 years. And by 1985, the defense budget will rise to $316 billion. In other words, from 1980 to 1985, we shall increase the defense budget from $135 billion per year to $316 billion per year.

That is a staggering military increase, Mr. President. That is a tremendous military increase. That is an increase far beyond what anybody could ever have contemplated would be necessary or probably what is needed. Yet the fact is that with all of those dollars being thrown against the military, with Cap the Knife being the new Secretary of Defense, we expected economies to be affected.

But the fact is that the Pentagon refuses to make even the most basic cost-saving efforts. The current administration's record is no better than it was in 1967 when then Secretary of

Defense Robert McNamara estimated that failure to use competition resulted in wasting 25 cents of every procurement dollar.

Mr. President, on February 25, 1981, the distinguished senior Senator from Arizona, BARRY GOLDWATER, and I addressed a letter to the Secretary of Defense pointing out the kinds of economies that could be effected in the Department of Defense, coming to a figure approximating $10 billion a year. Did anything happen? No, nothing really happened.

The distinguished senior Senator from Arizona and I filed suit against the Navy because they refused to use competitive bidding in procuring a plane known as the CTX. Did the Navy try to help? Were they supportive? Of course not. They went into court to throw us out on a technicality.

The facts are that there are economies that can be effected in the Department of Defense without in any way affecting the strength of our Military Establishment.

Mr. President, I ask unanimous consent that the entire letter that the senior Senator from Arizona and I sent to the Secretary of Defense be printed in the RECORD at this point.

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

UNITED STATES SENATE,
Washington, D.C., February 25, 1981.

Hon. CASPAR W. WEINBERGER,
Department of Defense, The Pentagon, Washington, D.C.

DEAR SECRETARY WEINBERGER: In his State of the Union Address, President Reagan restated his intention to move immediately to strengthen the nation's defensive posture. "But even here," he said, "there was no exemption. The Department of Defense came up with a number of cuts which reduced the budget increase needed to restore our military balance . . . The aim will be to provide the most effective defense for the lowest possible cost."

We support the goal of upgrading our military strength and we commend the President for his determination to accomplish that objective in the context of sound, cost-conscious methods of management.

We are convinced that the Department of Defense, whose budget will soon make up nearly a third of all Federal spending, is in a position to effect major savings without in any way sacrificing military muscle. These savings can be made in two major areas—improved procurement practices, including greater use of multi-year contracts and more effective administration.

Procurement reform is by no means a new topic at the DOD. As long ago as 1967, for example, then-Secretary Robert McNamara estimated that the failure of the DOD to take advantage of competition contributed to the waste of as much as twenty-five cents on each procurement dollar.

Your predecessor, Secretary Brown, echoed Secretary McNamara's frustration in January, 1979, when he told the *New York Times* that "his key disappointment so far was his inability to induce genuine cost efficiency within the Defense Department." And in a report submitted on December 25, 1979, to the Chairman of the Senate Budget Committee on the implementation of OMB Circular A-109, the GAO stated that:

"The greatest non-compliance with A-109 appears to be the services' reluctance to seek solutions to their weapon system needs through competition. Pre-conceived solutions are still being proposed as needs rather than seeking solutions through competitive proposals."

President Eisenhower once pointed out that the world's spending on arms "is not spending money alone. It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children." That, we believe, is what we must keep in mind when we talk about financial efficiency in the DOD.

Today, just as it has for years, the DOD spends fewer than 10 percent of its procurement dollars through contracts let by competitive sealed bidding. Just as consistently, the Department takes the sole source route for over half of its procurement spending.

We are aware of the argument that sole source contracts are necessary in order to acquire sophisticated items that cannot be procured through price competition. This may be true in some cases, but it is also true that the Department routinely lets sole source contracts for items that could readily be purchased on the open market.

Two years ago, to take only one of many instances, we filed suit in Federal court to require the Navy to use competitive bidding to procure the CTX, an off-the-shelf light cargo aircraft. In spite of the clear intent of the Senate, made abundantly obvious in a colloquy between ourselves and the Chairman of the Armed Services Committee, and in spite of the existence of several competent suppliers, the Navy, in the end, procured the CTX through a sole source contract after our case was dismissed on a technicality. This decision by the Navy is typical of a procurement policy that operates without regard for saving taxpayer dollars.

There is no doubt of the fact that competition can lower the cost to the taxpayer of acquiring even highly sophisticated weaponry.

In 1973, a study prepared for the Joint Economic Committee examined the costs of twenty complex weapons systems including sophisticated electronics and missile systems. These contracts originally were awarded through sole source procurement, but for various reasons the costs were later readjusted by price competitive bids. The results were dramatic—price decreases averaging 51 percent. More recently, GAO's September 25, 1979, report to the Chairman of the Budget Committee on the status of DOD's efforts at procurement reform included data supplied by the DOD on its program to break out spare parts from larger systems for competitive acquisition.

At the Oklahoma Air Logistics Center, a turbine should cost $86.23 when procured on a sole source basis. Competitive procurement lowered the cost to $64.99.

A nut assembly that cost $246.29 on a sole source basis was acquired competitively for $36.75.

A panel assembly costing $1,454 on a sole source basis was purchased through competition for $245.

Those are laudable savings, but unfortunately, they are more the exception than the rule. In February of this year, the CBO estimated that over the next five years, modest improvements in procurement efficiency could reduce the Department's outlays by $16 billion and its budget authority by $22 billion.

In this time of budget austerity, we are convinced the opportunity exists to make the kinds of far-reaching reforms in procurement that have in the past eluded us. New legislation might be useful in this regard, but current law provides a more than adequate vehicle for a determined effort to improve the Department's efficiency in procurement.

Under existing legislation, sealed bid competition is specifically required for all procurement. Unfortunately, the law also provides 17 exemptions to that rule, several of which are exceedingly broad. As a result, DOD officials have been able virtually at will to purchase on a non-competitive basis.

We believe that these wasteful practices can be brought under control. But to do so will require a tough-minded, persistent and systematic effort to change fundamentally the way the DOD bureaucracy does its procurement business.

It is not enough simply to state a policy of enhancing the use of competition. Responsibility for implementing such a policy must be very precisely delegated. And to be effective, it must be placed in the hands of officials who are accountable personally to the highest level in the Department. Whenever competitive bidding is not used, the failure to do so should be specifically approved or disapproved at the level of the Office of the Secretary of Defense. Such a review procedure would require procurement officers to prove their case to one of your aides. When competitive bids are not used, a top level official, responsible directly to you, should be charged with this task. A general exception could be made for all contracts below a certain dollar amount and for emergency situations.

We would also suggest that the department make greater use of formal advertising in awarding contracts. Currently, hundreds of millions of dollars in contracts are awarded each year, particularly for consultant services, with no notification to potential competitors that this work will be available. Why not simply require, when national security considerations permit, that all contracts in excess of $10,000 be announced in the Commerce Business Daily no less than thirty days prior to the closing date for submission of bids? We are confident that the free enterprise system will respond.

In order to facilitate that response, we strongly support enhancing the Department's flexibility in the area of negotiating multi-year contracts for the procurement of selected weapons systems. A contractor, after all, cannot be expected to make major capital investments in machinery and raw materials in the absence of assurances that a market will continue to exist in the future. By discouraging necessary investments through single-year contracts, we lose for the taxpayer the economies of scale that should be realized in major acquisition programs. Those savings, we believe, would amount in the long run to a far greater sum than we might have to pay out to compensate companies whose multi-year contracts must, for whatever reasons, be terminated ahead of schedule.

Another problem—one that has implications for the Congress as well as for the Department—is the annual spending spree in which DOD and virtually all other Federal agencies have indulged at or near the end of each fiscal year in order to clear the accounts and protect future appropriations. That pattern of bureaucratic self-protection inevitably produces wasteful spending, funds marginal projects, and adds enormously to the cost of government. It is necessary to reverse the incentive system by rewarding officials for saving money, rather than giving them powerful incentives to spend every penny available. We are certain that a Secretary who chose to bluntly confront that pattern of spending would have strong support in the Congress. Certainly, he or she would have ours.

But procurement reform is not the only area in which major savings can be made.

The Systems Acquisition Report Quarterly Update issued by the General Accounting Office on November 17, 1980, demonstrates that something is very wrong with the manner in which DOD has managed its major acquisition program.

In the S.A.R. issued in September, 1978, for example, the cost of acquiring 545 YAH-64 advanced attack helicopters was projected at $4.14 billion, or $7.4 million for each helicoper. In late 1980, that figure had risen to $5.85 billion or $10.7 million per aircraft.

In 1978, each *Perry* class frigate was expected to cost $139 million. In FY '81 the cost per ship rose to nearly $225 million. Inflation has been severe since 1978, but not severe enough to turn a figure of 139 into a figure of 225.

The program cost for the F-18 Hornet was estimated at $14.3 billion in 1978, with a cost per plane of approximately $14.8 million. For FY 1981, the F-18 program cost estimate has reached $29.7 billion and the unit cost will exceed $30 million. Again, inflation cannot account for the cost growth.

These are not isolated cases. Runaway costs characterize our entire defense procurement program.

But no reform will have any beneficial effect as long as the DOD continues to bail our wasteful contractors. Admiral Rickover has described what happens when contractors know that they can always count upon the Pentagon to save them from the consequences of their own bad management.

"Large defense contractors can let costs come where they will and count on getting relief from the DOD through changes and claims, relaxation of procurement regulations and laws . . . or other escape mechanisms . . . they will make their money whether their product is good or bad; whether their price is fair or higher than it should be; whether delivery is on time or late."

We believe that the time is long past due for decisive action. The Defense Department should cut off contractors with records of waste, overruns, and poor management. There are companies that are prepared to give the taxpayer a dollar's worth of value for every dollar spent. Those are the companies that should get the government's business.

In order to put teeth into that approach, we suggest that you establish a second review process in the Office of the Secretary of Defense. Just as a top level official should be required to sign off on non-competitive procurements, so should cost overruns be intensely reviewed. Such a review ought to be triggered whenever an over-run exceeds the rate of inflation.

The Department can also do more internally. There is no reason why the DOD cannot do what every well-run private corporation does to control costs and improve its own productivity. But a glance at a random sample of GAO reports done over the past two years on DOD operations demonstrates vividly how far the Department has to go.

One report is entitled "Correct Balance of Navy's Foreign Military Sales Trust Fund Unknown."

"The Department of Defense," the report says, "does not know the correct cash balance being held in trust for countries involved in the Navy's foreign military sales program. This is despite the Navy's having spent thousands of staff days since early 1977 to determine why the trust fund account does not agree with detailed military sales case accounting records. Unreconciled differences in cash balances between the sets of records totaled $544 million, as of June 1, 1978."

Another GAO report is entitled, "The Air Force Should Cancel Plans to Acquire Two Computer Systems At Most Bases.

"The Air Force plans to install two computer systems at about 105 bases to perform such functions as accounting, finance, personnel, and supply. This program will cost about $600 million to $1 billion more than a one-system approach over an expected life of 20 years."

GAO concludes that this is unnecessarily expensive and restricts competition on the largest computer acquisition ever attempted in the government.

Another, selected at random, suggests that "The Army Should Use Available Serviceable Parts to Avoid Repairs."

"The Army unnecessarily spends millions of dollars to repair parts when more than enough serviceable parts are available to meet current needs. The Army needs to establish procedures for identifying repair-actions, notifying depots that replacement quantities are available, and matching actions with quantities."

And there are many more. "DOD continues to subsidize the foreign military sales program by not charging for normal Inventory losses."

"GAO reported in September 1977 and August 1978 that DOD was losing millions of dollars because normal inventory losses were not being recovered on foreign military sales. The Arms Export Control Act was amended in September 1978 expressly to require recovery of these losses on certain inventory sales."

"Although the military services have since identified almost $600 million in inventory losses, governments have not been charged for their fair share of the losses as required by the Act. As a result, the United States has lost millions and created a subsidy to foreign government."

DOD Can Save Millions of Dollars by Improving Management of Air Force Inventories.

"Two Air Force Logistics Centers has over $50 million in excess stocks on order for items or which they had over $8 million of stock on hand exceeding current needs."

And so it goes.

The Navy's material handling costs can be reduced.

The Navy does not know if it has too much electronic/electrical depot maintenance capability, too little, or the right kind.

Defense Department is not doing enough to maximize competition when awarding contracts for foreign military sales programs.

We could add many more items to this list, but the point is that waste and inefficiency have over the years become a way of life for too many in the Department. The Nation cannot afford to permit this situation to perpetuate itself any longer.

We hope, Mr. Secretary, that you will seize the opportunity presented by President Reagan's approach to Federal spending to undertake major reforms in your Department's operation. By so doing, you will contribute to the Nation's economic health and to the real strength of our armed forces.

Very sincerely yours,

BARRY GOLDWATER,
U.S. Senator.

HOWARD M. METZENBAUM,
U.S. Senator.

Mr. METZENBAUM. Mr. President, there are other areas of wastefulness in the Department of Defense that can be so easily achieved and accomplished. The Department of Defense only uses sealed competitive bids with respect to 6 percent of their procurement dollars. Why? Why? What is it that makes them so sacred that they cannot do what every little township and county and city and village in America does, what every other department of government does? But, no, they are unwilling to use competitive bidding in spite of all of the protestations to the contrary. They even tried, according to the GAO in a very recent report, to say that they had increased the amount of competitive bidding, but what did they really do? They jiggered the figures. They changed the method of making their computations.

What kind of economy is that? What kind of responsibility is that?

And then, when it comes to the question of cost overruns, that cost us billions and billions of dollars a year, it was Admiral Rickover who made the statement:

> No defense contractor can lose doing business with the Department of Defense. If he makes a bad contract, the Department of Defense will bail him out and they will find a basis on which to pay him additional money.

Cost overruns are rampant at the Pentagon.

There were 1,107 Blackhawk helicopters that we were to buy. Originally it was to cost $2,300 billion. Now it is going to cost better than three times that amount, $7.7 billion, a cost overrun of 237 percent.

There was a Patriot missile whose cost exceeded the estimated production cost by $2.5 billion since it was first made in 1979.

There is no reason under the Sun why the Department of Defense cannot be run like a business. Why can the Secretary of Defense not say that you cannot have a cost overrun unless it is approved by somebody who is at his right hand? Why cannot they refuse to permit a cost overrun beyond the inflation factor? That has been proposed to them, but they are not willing to take that kind of step because it might step on the toes of some of the big defense contractors and some of the biggest supporters of this administration.

The Kiowa helicopter was a small scout-type helicopter, at a cost of $110,000 each. Now the Army wants to spend $143,000 each or a total of $40 million to fix a chronic engine and rotor problem. But even fixed, the Pentagon spokesmen say the Kiowa will not fly on hot days similar to those experienced in the Middle East.

Then we are all familiar with the expenditures for military bands. The current budget is $89.7 million. There are three full military bands in the District of Columbia area.

I want to be frank. I have enjoyed going to the Marine band show that takes place every Tuesday night near where I live. It is a magnificent production and I enjoy it much, but I really ask, in these days of trying to cut back on Government spending, do we need to have three full military bands in the District of Columbia area, each one of which has a larger budget than the Washington National Symphony?

The Department of Defense consistently refuses to move toward any procedure that might save some money. There was a Washington Post article recently, just a small blurb, and it was entitled "Leave Us Alone." It read as follows:

The central recommendation of the Office of Management and Budget's brand new study of Government contracting is that all Federal agencies, defense and civilian, should have to follow the same procurement rules. But there is one problem. The Defense Department does not like the idea.

This week House-Senate conferees gave the Pentagon what it asked for, a specific legal provision exempting Defense from any OMB procurement rules it does not choose to obey.

Defense accounts for about 70 percent of the Government's $110 billion annual spending for goods and services.

Mr. President, the Department of Defense is not the only place where there are wasteful expenditures in this budget that is going to be approved. It still provides $4 billion for construction of water projects by the Corps of Engineers and the Bureau of Reclamation, $4 billion for water projects. Do not touch the water projects. That is the private preserve of the western Senators. What difference does it make that the National Taxpayers Union says that it believes the water project construction area should not be shielded by budget cuts.

But the fact is they are shielded—not one single penny is cut back with respect to water projects.

We are continuing to fully fund the wippers, or Bureau of Reclamation, program even though the GAO has written study after study questioning the need for many of these projects, questioning the huge subsidy that the Federal taxpayer provides for these projects and questioning the limited number of people who actually benefit from a massive development program. Cut the budget when it comes to feeding people but protect the water project of the western Senators.

On March 13, 1981, the GAO issued a report entitled "Federal Charges for Irrigation Projects Reviewed Do Not Cover Costs." That GAO report studied six Federal irrigation projects and found that water produced will cost the Government between $54 and $130 per acrefoot each year.

But the crops grown by the farmers will not yield even enough revenue to cover the costs. Yet, farmers continue to buy the Federal water because they are charged a price below Government cost.

As the GAO stated, the terms of repayment, lack of interest, and length of time without repayment combine to give a large subsidy to users of Federal irrigation.

Mr. President, Fortune magazine ran an article on February 23, 1981 entitled "Ending the Southwest's Water Binge." That article points out that Federal taxpayers are paying tremendous subsidies for water to landowners and firms in the Southwest and West, but in many cases that water is being squandered. As Fortune magazine stated 15 years ago and again last year, the Southwest is not running out of water. It is running out of cheap water. The Southwest's reaction to its artificial water shortage is to cry out for even more Federal spending on projects, ranging from the one-third completed $2.2 billion central Arizona project to a $26 billion dream of bringing water from the Mississippi to western Texas.

Mr. President, my point is that there are ways of balancing a budget that are not being used in this particular budget measure. It still contains $252 million to break ground for the Clinch River breeder reactor, which will ultimately cost more than $3.6 billion, compared to the original cost estimate of $1.1 billion.

This budget can take food out of the mouths of kids, keep young people from being able to go to college, and cut back on medicare benefits, but it still has funding of about $200 million in budget authority and $80 million in outlays for the tobacco subsidy program. Last year, we almost killed that program and came within two votes of doing so, and we should have done so.

Now industry is trying to reform the allotment system, but in attempting to reform it, are they really zeroing in on the problem of the allotment system and the drain upon the Federal budget? We will see, as the days and weeks unfold.

This budget provides for a cut of $15.4 billion over the next 3 years for medicare—$15.4 billion for medicare—and medicaid will be cut by another $2.2 billion. But do not touch the water projects. Do not touch the tobacco subsidy program. Do not cut the Defense Department increase. That $17.7 billion cut out of medicare and medicaid is on top of the $16 billion in cuts passed in last year's reconciliation bill.

Where to do you think this money is going to come from, when you cut medicare and medicaid?

Supporters of these cuts have suggested that the medicare and medicaid programs can be cut without causing health care payments for the aged and the poor to go up. That is just not so. That is just not the fact. They said it last year, and we have already seen Blue Cross insurance premiums double in 1 year because of these Federal budget cuts. These additional cuts will hurt even more.

According to a recent memo by the American Association of Retired Persons and the National Retired Teachers Association, these medicare proposals will have a tremendous impact on out-of-pocket expenses for the elderly.

One proposal to save $12.3 billion from a new reimbursement system would be particularly disastrous. According to the AARP, even the most vocal advocates for tougher hospital reimbursement rules do not see savings beyond $2.5 billion over 3 years from that proposal. This proposal would require huge, new out-of-pocket costs for hospitalized medicare beneficiaries of $18 per day for the second through the 60th day of hospitalization.

For an average hospital stay, a medicare beneficiary's out-of-pocket costs would increase by 60 percent next year alone, under this proposal.

Another proposal to index part B deductible—that is, for doctor bills—to the CPI, the estimated savings would be $60 million in fiscal 1983. But, says the AARP, "After the 25 percent increase in the part B deductible last year, the elderly simply cannot afford another precipitous increase in the deductible again this year."

Mr. President, I ask unanimous consent to have printed in the RECORD the Republican Senate Budget Committee staff figures with respect to the possible health care package and the impact upon the people of this country.

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

MEDICARE

	Fiscal year		
	1983	1984	1985
ADMINISTRATION LEGISLATIVE PROPOSALS			
Elimination of utilization review	0	0	0
Delay medicare eligibility date	$105	$135	$165
Working aged	610	700	790
Revenue loss	155	175	200
Waiver of liability	10	10	10
Reimbursement of pathologists/radiologists at 80 percent	145	195	230
Index of part B deductible to CPI	60	130	220
Repeal increase in reimbursement to physical therapists	4	4	5
ADDITIONAL LEGISLATIVE PROPOSALS			
Provide for no increase in the economic index in fiscal year 1983, provide for a 5-percent increase in fiscal year 1984	280	410	480
Repeal nursing differential	95	110	125
Prohibit payments on the basis of percentage contracts (includes radiologists and pathologists)	63	73	84
Apply 20 percent coinsurance on home health visits starting with the 20th visit	100	165	190
Include teaching physicians in the proposal to eliminate duplicate medicare reimbursement for overhead costs	65	95	110
Place 223 limits on all hospital costs	390	440	490
In conjunction with 223 limits, place the overall limit of 110 percent on the increase in medicare inpatient revenues per admission during fiscal year 1983, fiscal year 1984. Adjustment to the limit would be allowed to take into account changes in volume and unusual circumstances beyond control of hospital. By mid-1984, the administration shall report to the Congress a method of prospective payment to be put into place for reporting periods after October 1, 1984	320	340	390
Reimburse skilled nursing facilities on a prospective basis utilizing the medicaid payment and a plus factor on the basis of a rate	10	10	10
Hold the part B premium constant on a percentage of program costs	230	545	940
Total medicare legislative savings (billions)	2.580	3.486	4.360
Total medicare regulatory savings	562	731	836
Total medicare savings (billions)	3.772	5.466	6.460

Mr. METZENBAUM. Mr. President, I address myself now to one of the major reasons why we find ourselves in the position we do, of not being able to balance the budget.

Before I came to the U.S. Senate, I was a business person. I ran a business, several businesses, and I understood in running a business, you have ncern yourself about two factors. was how much you are taking in, the other was how much you are ding. The fact is that the problem is on the whole question of how h we are taking in—$750 billion in cuts over a 5-year period.

say that when you do not take in money, you cannot balance the lget. Can you believe it? Sixteen of new U.S. Senators who came here the wave of conservatism and New ghtism in 1980—even they, after the x bill was passed, wrote to the President of the United States and said:

Mr. President, we did not know that the x bill was going to make it possible for 50 rcent of the corporations by 1985 to pay o taxes at all.

What an inequatable and iniquitous iece of legislation that was. Corporate taxes are going to be cut and cut and cut. The 1981 act will reduce the corporate share of Federal revenues to only 7.1 percent by 1987—7.1 percent—down from 12.4 percent in 1980; and by the end of this decade, the corporate share of Federal receipts will be below 5 percent, and it will continue to fall.

The business tax reductions will cost each taxpayer, in the form of higher taxes for foregone services, $180 in 1982, rising to $950 in 1986. Over the decade, the Reagan corporate tax phaseout will cost each taxpayer an average of $7,330.

Mr. President, I am no different than anyone else in the Senate, in Congress, and the people of America. It would be more fun to pay no taxes than to pay some taxes. It would be more fun to pay the least amount of taxes rather than the fair amount of taxes. But you cannot run this Government without having sufficient income to pay the bill. We can sit and cut, and cut, and cut, and try to cut back on social security benefits as the Republicans have attempted to do and the White House has attempted to do, but that is not the answer. The answer is we went too far in that tax bill. The budget resolution attempts to talk about this problem. But the fact is there are so many tax loopholes at the present time that I do not believe they will ever be able to close them adequately and the tax bill was so unfair and so unbalanced.

During 1982, 1983, and 1984, including bracket creep and social security increases, workers who were earning $30,000 or less when the bill was passed will be paying a greater share of their income in Federal taxes than they did in 1980. For taxpayers with incomes between $10,000 and $15,000, the tax increases will average 9 percent. For taxpayers earning under $10,000 the increase will be 28 percent.

But for those with incomes above $200,000, the Reagan tax bill cuts will provide reductions of more than $58,000 each over the next 3 years after fully offsetting tax increases due to bracket creep and social security hikes. That is a 15-percent cut in their taxes.

Mr. President, the fact is this budget resolution instructs the Finance Committee to report new legislation by July 12 that will raise a total of $98.3 billion in new taxes including $20 billion for fiscal year 1983.

Mr. President, it is not going to meet the problem. It is not going to really zero in on the issue because the real question is will the Finance Committee raise new taxes by closing corporate loopholes, or by increasing taxes that hit the middle and working class families? Will the Finance Committee eliminate the safe harbor leasing provisions, which will cost the Treasury $14 billion over the next 3 years and almost $30 billion over the next 5 years?

That provision has been a boon to the rich companies, not to distressed industries around the country.

General Electric earned $2.6 billion in 1981, paid no taxes, but it received $200 million in tax breaks from this leasing provision. In fact, in 1980, General Electric, the Nation's largest electrical manufacturer, paid $330 million, but in 1981 it actually got a refund from the Government of $100 million.

Under the safe harbor leasing provision IBM purchased nearly a billion dollars in tax breaks from the Ford Motor Co. And the Government now estimates that this kind of corporate trafficking in tax loopholes will cost the Treasury $30 billion in 5 years.

Mr. President, there are so many other tax loopholes that could be closed but I doubt very much that they will be closed and I see little indication from the Budget Committee that there is any intention of directing the Finance Committee to close them. If we did one thing, if we closed the oil company tax loopholes, the elimination of the foreign tax credit on oil and gas extraction, the replacing of the percentage depletion for oil and gas with cost depletion, the change in the ACRS period for refinery property from 5 to 10 years, the elimination of the State and local government exemption from the windfall profit tax, and the elimination of the intangible drilling cost deductions that one act alone, if we had the guts to stand up to the oil companies and their political action committees, we would pick up $31.6 billion alone in the next 3-year period.

If we improved taxpayer compliance we could pick up $17.4 billion in a 3-year period. If we changed the taxation of foreign-earned income we could pick up a billion dollars.

Then, Mr. President, there are some others. there is an excess bad debt reserve that financial institutions have. No other businesses have it. If they have bad debts, they write them off. But the fact is that banks and financial institutions are permitted to compute and deduct amounts far in excess of their actual expense. And what does that cost the Federal Treasury? That single items costs the Federal Treasury $2.2 billion through fiscal year 1985.

Some years ago the timber interests of this country were pretty good in getting their lobbyists to get through a tax provision making it possible for them to treat timber as a capital gain. What the farmers in Ohio grow does not become a capital gain. They pay their full tax on the profit on it. The farmers in Ohio pay their full taxes on what they grow on the farm. Why is it that we make it possible for those who grow timber, which is planted in the same manner as our other crops, to treat their profits as a capital gain? That will cost the Federal Treasury $2 billion through fiscal year 1985.

Why do we make it possible for companies to take their entire operations into our island possession and pay no taxes at all?

A corporation doing business in a U.S. possession may elect to take a tax credit equal to the Federal income tax otherwise owed. In 1973 that tax credit provided the tax cost to the Federal Treasury of $2,300 per employee. By 1979 for every person employed in an island possession, it was costing the Federal Treasury $18,310 per employee, and I am sure it is much higher now.

In 1978, the Federal tax loss for pharmaceutical companies located in Puerto Rico was over $43,000 per employee while the traditional labor-intensive industries averaged their cost of less than $3,000 per employee. The difference occurred because they took their operations down to Puerto Rico and operated there.

The real question is, what is going to happen and where are we going to get this extra $20 billion?

I have the feeling, Mr. President, that some of these tax loopholes that presently exist are not going to be eliminated, including the one that was talked about in today's editorial in the Washington Post about the tax subsidies for retirement. I doubt very much that the chairman of the Finance Committee, notwithstanding his willingness and effort to do something about some of these loopholes, is going to be able to muster the necessary number of votes to get such a provision out of committee.

The Washington Post editorial today made it clear how accountants, lawyers, and corporate executives can put away $45,000 per person tax exempt in a pension fund and now under certain circumstances it can go up to as much as $150,000 in a single retirement account and no taxes are paid on that amount or the interest earned on it until it is withdrawn after retirement. Under that provision, if he dies and leaves the money, his heirs pay no estate tax. Self-employed people cannot do that. They can set aside only $15,000 a year in a tax-exempt account and an ordinary employee who single can lay away only $2,000 a year tax free.

Why do we make it possible for the rich to pay no taxes and for average Americans to carry such an unfair burden?

Mr. President, I ask unanimous consent to have printed in the RECORD the entire Washington Post editorial.

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

[From the Washington Post, June 23, 1982]

TAX SUBSIDIES FOR RETIREMENT

The Tax Code now provides every worker some incentive to put away money for retirement. But the size of that incentive varies enormously—and unfairly—depending on where you work.

A corporate executive or an incorporated doctor or lawyer may have a corporate plan that sets aside up to $45,475 each year in a single retirement account—and as much as $150,000 if he is covered by two plans. He pays no tax on that amount or the interest earned on it until it is withdrawn after retirement. His heirs pay no estate tax on the fund when he dies. Self-employed people however, can set aside only $15,000 a year in a tax-exempt account, and an ordinary employee who is single can lay away only $2,000 a year tax-free.

Corporate plans, moreover, may allow individuals to borrow money from their retirement accounts to use for other purposes—thereby wiping out any stimulus for additional savings that the tax exemption may have provided.

The generous tax treatment of corporate pensions was meant to encourage corporations to provide better benefits for all their employees. In practice, however, other features of the tax law allow corporations to tailor their plans so that the vast bulk—even all—of the benefits go to higher-paid employees. In recent years, increasing numbers of professionals have incorporated so that they could get similar benefits. Now the self-employed are complaining because they don't get equal treatment.

Extending corporate-level benefits to all types of businesses and workers would simply cost the Treasury too much in lost revenue. The only sensible answer is the one that the Treasury Department—and the House legislation sponsored by Rep. Charles Rangel—would pursue: cutting back on corporate benefits, eliminating loopholes that promote use of pension funds as simple tax shelters and moving in the direction of eliminating all distinctions among types of businesses and trades.

Corporations are naturally fighting tooth and nail against any erosion of their executives' benefits. To satisfy critics, they'd rather just cut out benefits for professionals and keep their own. Some corporations are even threatening to respond to any cutback by retrenching on the relatively stingy benefits they give their lower-paid workers. But, as Assistant Treasury Secretary John Chapoton suggested recently in testimony before the House Ways and Means committee, if inducements for fair treatment of lower-paid workers are needed, there are better ways to provide them.

The government has an interest in encouraging people to provide adequately for their old age. But tax breaks for some mean higher taxes for others, and the case for subsidizing truly golden retirement years is extraordinarily weak.

Mr. METZENBAUM. Mr. President, I think some attention should be given to what the Budget Committee is thinking about as far as tax increases are concerned. Is the Budget Committee talking about really closing tax loopholes? Well, hardly so. They did mention the island possessions credit as being one possibility.

They did talk about eliminating capital gains for timber as being a possibility. They did talk about eliminating the DISC as being a possibility. And they did talk about cutting back the entertainment deduction for business to a 50-percent level as being a possibility.

But there are some areas that they talked about that I think the people of this country ought to understand. They ought to understand what the Reagan administration is thinking about, because this administration that is so determined to cut and cut and cut human service programs, people-oriented programs, programs that have to do with the quality of life in America, is not willing to go back and see the harm that it has done with respect to the most recent tax bill and the unfair shifting of the burden from the corporate taxpayers to the individual taxpayers.

No; let me tell you what they are talking about. The employers of this country have a right to deduct for health deductions, for health-paid benefits for their employees. But one Republican proposal would restrict that deduction, which would mean that the individual employee would not receive as much in health benefits.

The Republicans are talking about eliminating the student exemption. They are talking about eliminating State and local sales tax deductions. They are talking about eliminating State and local personal property taxes as being a deductible item on your income tax. They are talking about eliminating the right to deduct your accrued interest on your life insurance. They are talking about taking away from consumers the right to deduct the interest that they pay when they buy something on credit, excluding up to $1,500 on auto loans. How generous they are. They are talking about repealing a $100 dividend exclusion. They are talking about taxing—this is a beauty—taxing all unemployment compensation.

First they cause the people to be unemployed, then they see to it that their benefits run out because they cannot find a job, then they get unemployent compensation and now it is suggested that we tax unemployment compensation. That is a real beaut. That would raise $2.4 billion according to these figures in 1984 and $2.2 billion in 1985.

And they are talking about eliminating $150 a year health insurance deduction.

Mr. President, I ask unanimous consent that the entire list be printed in the RECORD at this point.

The PRESIDING OFFICER (Mr. KASTEN). Is there objection?

Mr. DOMENICI. Reserving the right to object. I did not hear that request.

Mr. METZENBAUM. To include the entire list that the Budget Committee had.

Mr. DOMENICI. That the Budget Committee had?

Mr. METZENBAUM. Yes; it was a part of the markup document.

Mr. DOMENICI. The grocery list of tax expenditures?

Mr. METZENBAUM. That is correct.

Mr. DOMENICI. I have no objection.

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

CHAPTER II: REVENUES

ADMINISTRATION PROPOSAL [1]

[Dollars in billions]

	Fiscal years			
	1983	1984	1985	Total
Tax revisions:				
Completed contract accounting	$1.9	$4.4	$4.6	$10.9
Business energy tax credits	0.1	0.3	0.5	0.9
Tax-exempt revenue bonds	−0.2	0.3	1.1	1.2
Modified coinsurance	1.9	2.2	2.5	6.6
Construction period interest and taxes	0.5	1.0	1.0	2.5
Corpocate minimum tax	2.3	4.8	4.5	11.6
Subtotal tax revisions	6.5	13.0	14.2	33.7
Improved tax collection and enforcement:				
Withholding on interest and dividends	2.0	1.3	1.4	4.7
Acceleration of corporate tax payments	1.4	1.7	0.9	4.0
Internal Revenue Service staff increases	2.1	2.4	2.4	6.9
Subtotal, improved tax collection and enforcement	5.5	5.4	4.7	15.6
Enterprise zones	−0.1	−0.4	−0.8	−1.3
Airport and airway trust fund	1.2	1.4	1.5	4.1
Railroad retirement	−1.7	−1.8	−1.9	−5.4
Federal employee hospital insurance taxes	0.6	0.8	0.9	2.3
Caribbean Basin initiative	([2])	−0.2	−0.2	−0.4
Other	0.1	0.1	0.1	0.3
Total	12.0	18.3	18.5	48.8

[1] Effective January 1, 1983 except provisions with fiscal year 1982 revenue effect. The enterprise zones would begin January 1, 1984.

[2] $50 million or less.

Note: Detail may not add to totals due to rounding.

ADMINISTRATION PROPOSALS

Repeal of the completed contract method. Present regulations allow contractors in projects which take more than one year to complete to defer the taxation of any income until the project is completed even though certain costs are currently deducted.

Repeal of business energy tax credits. Present law provides additional investment tax credits for the purchase of energy property. Some are scheduled to expire at the end of 1982 and others in 1985 and later. Gasohol is granted an excise tax exemption or an equivalent credit. The proposal would also repeal provisions which allow tax-exempt industrial development bonds to finance low-head hydroelectric facilities and other energy property.

Restrictions upon tax-exempt bonds for private activities. The proposal would allow only straight line depreciation over an extended recovery period for assets financed with tax-exempt bonds after 1982. Tax-exempt bonds would have to be publicly approved by local governments and, after 1985, they must contain a financial contribution, commitment, or obligation from the local government. Small-issue industrial development bonds would not be allowed for large business.

Repeal of special tax treatment of modified coinsurance. Present law allows life insurance companies to convert taxable investment income, which is subject to a 46 percent tax rate, into underwriting income which is taxed at a maximum rate of 23 percent.

Capitalization of construction period interest and taxes for corporations. Present law requires individuals to capitalize, but corporations are allowed immediate write-offs. The proposal would require capitalization over ten years except for low-income housing.

Imposition of an alternative corporate minimum tax. The present add-on minimum tax would be repealed and replaced with a 15 percent tax which would be paid if it exceeded the tax liability otherwise calculated. The alternative tax base would include taxable income plus certain tax preferences in excess of $50,000. The investment tax credit would not be allowed against the alternative tax.

Imposition of 5 percent withholding on interest and divided income. Taxpayers aged 65 or older with tax liability of $500 ($1,000 on joint returns) or less would be exempt.

Speed-up of corporate income tax payments. Corporations would be required to make estimated payments equal to 90 percent of current year liability after 1982. All remaining liability would be due in one payment on the fifteenth day of the third month following the close of the tax year.

Hiring of 5,000 additional IRS collection and enforcement officers.

Beginning in fiscal year 1984, several nonrefundable wage and investment credits would be established as part of the President's urban enterprise zone proposal. The zones would also receive relief from capital gains taxes and tariffs as well as continued availability of tax-exempt industrial development bond financing.

MISCELLANEOUS TAX INCREASES [1]

[Dollars in billions]

	Fiscal years 1983	1984	1985	Total
Business:				
1. Employer health deductions	$2.6	$4.5	$5.6	$12.7
2. Island possessions credit	0.6	1.4	1.5	3.5
3. DISC (including 10-year recapture)	0.5	2.0	3.0	5.5
4. Eliminate capital gains for timber	0.3	0.6	0.7	1.6
5. Entertainment deductions (50 percent limit)	0.1	0.3	0.3	0.7
Total business	4.1	8.8	11.1	24.0
Individual:				
1. Student exemption	0.4	1.1	1.1	2.6
2. State and local sales tax	0.8	5.4	6.0	12.2
3. State and local personal property tax	0.1	0.6	0.6	1.3
4. Accrued interest on life insurance	1.5	3.7	3.9	9.1
5. Consumer interest expense (excluding up to $1,500 on auto loans)	0.9	6.3	6.7	13.9
6 Repeal $100 dividend exclusion	0.2	0.6	0.6	1.4
7. Repeal 15 percent net interest exclusion			1.1	1.1
8. Tax all unemployment compensation		2.4	2.2	4.6
9. Eliminate $150 health insurance deduction	0.1	0.4	0.4	0.9
10. 10 percent floor under medical deduction	0.3	2.3	2.5	5.1
11. 10 percent floor under casualty deduction	0.1	0.7	0.8	1.6
Total individual	4.4	23.5	25.9	53.8
Total business and individual	8.5	32.3	37.0	77.8

[1] Repeal unless otherwise stated.

MISCELLANEOUS TAX INCREASES

Business

1. The Employer Health Insurance deduction encourages overinsurance and higher health care costs. In fiscal year 1983, we will lose $18 billion of general revenues from this deduction and $8 billion of Social Security Trust Fund revenues. Capping the deduction at $150 a month for families and $60 for singles would raise $12.7 billion from fiscal year 1983 through 1985.

2. The Island Possessions Credit provides long-term tax deferral to American companies operating in U.S. possessions, Puerto Rico, American Samoa, and Guam, in return for job creation. Ninety-nine percent of the $1.4 billion annual revenue loss goes to Puerto Rico. Half of that amount goes to 16 large pharmaceutical companies who hire relatively few Puerto Ricans. The exemption was originally enacted in 1921 for U.S. firms in the Philippines to give them the same tax treatment as British competitors. The statute remained on the books after Philippine independence in 1946, and it was only a few years later that Puerto Rico promoted this benefit for itself and enacted its own reductions in addition. Treasury and CBO reports have since questioned the job creation attributable to this provision. Repeal of this provision would raise $3.5 billion in fiscal year 1983 through 1985.

3. The Domestic International Sales Corporation (DISC) was established in 1971 to encourage exports of domestic production and to stem the relocation of production overseas. Treasury studies have shown a slight increase in exports, but at a very high cost in foregone revenue. DISCs are allowed to permanently defer half of their export income in excess of a base period amount. Repeal of this provision and taxation of deferred income would raise $5.5 billion from fiscal year 1983 through 1985.

4. Capital gains treatment for timber was granted in 1943 to provide the same tax for those who selectively cut timber as part of their business as those who sell an entire stand of timber. The tax code generally treats "stock in trade" as ordinary income. Repeal of this provision would raise $1.6 billion in fiscal year 1983 through 1985.

5. Firms are allowed to deduct the full amount spent on business entertainment as an "ordinary and necessary" business expense if the meal or entertainment is directly related to or associated with the firm's business. This deduction has been the subject of continuing controversy, with opponents arguing that it provides a government subsidy for personal pleasures that have only a remote business purpose, and defenders aruging that the conduct of business is greatly facilitated by such expenditures. Limiting business meal and entertainment expense deductions to 50 percent of the amount spent would increase revenues by $0.7 billion in the fiscal year 1983-1985 period.

Individual

1. The rule allowing a parental personal student exemption was adopted in 1954. The main reason for the rule was to avoid the "notch" problem that resulted when a dependent's earnings were close to the exemption amount; an extra few dollars in earnings could deprive the parents of the exemption, costing them hundreds of dollars in extra taxes. The exemption was also justified as a way of taking into account the added costs parents incur for students. Present law provides that until a child turns 19, the parents can claim an exemption of $1,000 if they contribute at least half of the child's support. Beyond that age, an additional test is imposed—the child must have less than $1,000 income in order to qualify as a dependent. If the child is a student, however, the parents can claim an exemption regardless of the student's income, so long as they provide half of the support. If the special exemption for students was repealed effective January 1, 1983, the increased Federal revenues over the fiscal year 1983-1985 period would total about $2.6 billion.

2. & 3. State and local sales and personal property tax deductions have been included to preserve state and local revenue sources and as an item determining the taxpayer's ability to pay taxes. In most cases, however, these taxes are deducted by higher income itemizers (a third of all taxpayers) for personal consumption expenditures. This deduction also encourages states to rely more heavily upon sales taxes than they otherwise would with a resulting increase in the level of inflation. Repeal of both of these taxes would raise $13.5 billion from fiscal year 1983 through 1985.

4. Premiums paid for whole life insurance contribute both to a death benefit and to a savings benefit. The accrued interest on life insurance savings is not taxed under present law even though interest income on other forms of saving is taxed. Taxing this interest income currently (even though the policy-holder has received no cash income) would raise $9.1 billion for fiscal year 1983 through 1985. Allowing a $100 floor to eliminate taxation of small amounts of such income would reduce the revenue gain by approximately half.

5. Consumer interest expense deductions encourage high-income taxpayers to borrow to make consumption expenditures. This helps raise interest rates. Only 17 percent of all taxpayers use this deduction. Twenty-two percent of this tax benefit goes to those with incomes in excess of $50,000. Repealing this deduction, excluding automobile interest, would raise $13.9 billion for fiscal year 1983 through 1985.

6. The $100 dividend exclusion and its predecessor, the dividend credit, have been part of the tax law since 1954 to alleviate the double taxation of dividends at both the corporate and individual level and to promote broader stock-holding by small investors. Numerous studies have shown that this provision does little to achieve these objectives, especially because of the very low dollar limitation. Repeal of this exclusion would raise $1.4 billion over the fiscal year 1983 through 1985 period.

7. The net interest exclusion was added to the tax law in 1981 to promote personal saving beginning in 1985. Some studies have questioned whether individuals are responsive to such incentives. Repeal of this provision would raise revenues by $1.1 billion in fiscal year 1985.

8. Taxing unemployment compensation would increase employment among higher income workers. In many cases these workers have seasonal employment or they have working spouses. As much as half of all unemployment compensation goes to those who have experienced temporary layoff. Once the benefits have been exhausted, the worker is rehired. In the cases where unemployment reduces income below the poverty level, existing income tax exemptions and deductions would allow that portion of unemployment compensation to remain tax-free. Present law already recognizes the taxability of unemployment compensation for individuals with incomes exceeding $20,000 and couples with $25,000. Taxing all unemployment compensation as of January 1, 1983 would raise $4.6 billion in fiscal year 1983 through 1985.

9. The medical insurance deduction was created in 1942 and expanded in 1965 on the theory that insurance expense ultimatly reduces medical expense claimed as a deduction and should therefore be encouraged. It now appears that medical insurance is so widespread that unnecessary medical ex-

expenses contribute to a $22 billion annual revenue loss. Repeal of this deduction would raise $0.9 billion in fiscal year 1983 through 1985.

10. The medical expense deduction is allowed on the theory that expenses which are catastrophic and severely impare a taxpayer's ability to pay taxes should be deductible. Originally, in 1942 when the deduction was created, a five percent floor was imposed. Now, there is a three percent floor with an additional one percent floor on prescription drug expense. With the rise in health care costs, encouraged by the deductibility of employer health insurance payments, the average health care cost as a percent of adjusted gross income has risen to over 12 percent. Thus, it is difficult to support the present law 3 percent floor as the dividing line for catastrophic medical expense. A 10 percent floor would raise $5.1 billion from fiscal year 1983 through 1985.

11. The casualty loss deduction currently benefits only three percent of the taxpayers who itemize their deductions and who incur a sudden and unexpected loss from fire, storm, theft, etc. This deduction tends to benefit high-income taxpayers. It has proven to be difficult to administer and to be subject to abuse. It creates an incentive to underinsure and to take unnecessary risks. Imposing a 10 percent floor under this deduction would raise $1.6 billion in fiscal year 1983 through 1985.

EXCISE TAX INCREASES [1]

[Dollars in billions]

	Fiscal years 1983	1984	1985	Total
1. Double distilled spirits ($21 a gallon)	$1.6	$2.6	$2.7	$6.9
2. Double tobacco (16 cents a pack)	1.2	1.8	1.8	4.8
3. Double beer ($18 a barrel)	0.8	1.2	1.1	3.1
4. Double wine (34 cents a gallon)	0.2	0.2	0.2	0.6
5. Double telephone (2 percent) [2]	0.5	0.6	1.3	2.4
6. Double motor fuels (8 cents)	2.3	3.4	3.3	9.0
7. $5 a barrel oil import fee	8.6	12.2	11.6	32.4
8. 10 percent excise tax on luxuries	1.5	1.6	1.7	4.8
Total	16.7	23.6	23.7	64.0

[1] Effective Jan. 1, 1983 unless otherwise noted.
[2] Effective Oct. 1, 1983.

Mr. METZENBAUM. Now what is really going to happen? When are we going to require the oil companies of this country to pay their fair share? When are we going to eliminate some of these gross tax loopholes, or are we only going to consider taxes on consumers by increasing taxes on telephones and gasoline and alcohol and tobacco and the like?

The sad part about this entire matter is that those measures to increase revenue that probably have the best chance of getting through are those that will increase the consumer-oriented taxes. Here is a budget that comes down hard on working people and poor people. Here is a budget that increases military spending and throws money at the military, and here is a budget that talks about picking up $20 billion in 1983. That is a pittance. We caused reductions in taxes of $750 billion.

Exxon, in 1980, made $2.5 billion and paid 1.3 percent taxes.

Now what kind of fairness, what kind of equity, what kind of a country are we? What kind of Congresspersons and Senators are we that we do not seem to care about the impact of this budget on the people of this country; the impact of the earlier budget on the people of this country, the impact of the tax bill, the inequities and unfairness and disproportionate responsibility that was caused by reason of that tax bill? Do we not care? Do we not feel? Whose Senators are we? Whose work are we doing down here? How can we be so cruel that we do not seem to care at all about the impact of this budget?

We worry only about the mathematical figures, the numbers. It is the impact that I think we ought to be talking about.

The White House is worried about the perception that the Reagan administration policies are helping the rich and hurting the poor. Unfortunately, that is a reality of America. They are hurting more than the poor. They are hurting middle-income American. They are hurting Americans. That is the real problem, they are hurting Americans. When funds are cut for food stamps, for jobs, for medicare, for medicaid, for education, and for other human service programs, people are going to be hurt.

People are being hurt now and will be hurt even that much more, but not one word of concern about that. "Get the budget bill through, Wall Street demands it."

Yesterday the House passed this budget resolution by only three votes, 211 to 208. That is hardly a resounding mandate. But the President got his budget bill in the House and he is going to get it in the Senate. This budget is going to be hard for may people to swallow. There are 215 million people in America and my guess is there are not 215 of them that know what is in this budget bill.

We have heard much talk about sending a signal to Wall Street so investors will have confidence. Let me say it is time to worry less about Wall Street and it is time to worry more about the people of this country. It is time to worry about the millions of Americans who need help because they are unemployed. It is time to provide the social safety net that was originally talked about and promised.

This budget will hurt millions of people. It is unfair. It is inhumane. It is unjust.

Some may say, "Well, Senator, you have used those words before." Indeed I have. And the facts only serve to confirm exactly what I said before and what is true today and it is more true and it is going to get worse and worse and worse. This administration's priorities are turned upside down. This administration has done more to turn the clock back in about 16 months than probably any other administration in the history of the Nation.

But do they care? Do they care? Is there any single indication that anybody down at that White House really cares or is concerned?

And I say to my Republican friends in the U.S. Senate, "Do you really understand what you are doing here today? Do you really care what you are doing?" You told us when David Stockman was before us that this thing of supply-side economics was going to work so well. It worked so well that one out of every eight people in my State are unemployed. Oh, that is great work. And there is not any indication that they are going back to work.

Inflation has started up again. Oil companies are increasing their prices even though there is no shortage. But this administration does not care. This administration is the most indifferent, most lacking in compassion that I think we have ever had in the history of our Nation.

This budget goes in the wrong direction. I will vote against it. I urge my colleagues to do the same.

The PRESIDING OFFICER. Who yields time?

Mr. HOLLINGS. Mr. President, I yield to my distinguished colleague from Nebraska, Senator EXON.

Mr. EXON. Mr. President, I thank my friend from South Carolina with whom I have had the privilege of working on the Budget Committee since I came to the Senate.

We are discussing the budget today and I would like to make a brief statement and then if I could, if he would agree, my friend from South Carolina, possibly he could clarify some of the questions that I have in my mind that I think many of the Members of the U.S. Senate would be asking for clarification on as we come down to the vote on the matter before us in the very near future.

Mr. President, it seems to me that at least the Senate should clearly understand what it seemingly is about to do. I am fearful that many in the land who have been led to believe that we are making progress toward a reduction in Federal spending and deficits may soon ask, "Why didn't someone tell us the truth about what was really happening with regard to the lack of true fiscal responsibility?"

So to try and spell it out one more time as clearly as we can, so that our colleagues will know what they seemingly are about to do, and so once again shortly before the vote it will be spelled out so no one can possibly misunderstand, let me first ask the ranking minority member on the Budget Committee, my friend from South Carolina, if the figures I have, and as I interpret them, are accurate.

In the first place I would ask the question, is it true that the conference report we are about to vote on predicts a deficit for fiscal year 1982 of $105.7 billion as presented to us in the conference report?

Mr. HOLLINGS. That is for the year 1982. In the conference report, the deficit for fiscal year 1983 is $103.9 billion.

Mr. EXON. I thank my friend. So it is true, then, that for 1982 the projected deficit is $105.7 billion.

Mr. HOLLINGS. That is correct.

Mr. EXON. Is it also true that for the same period the independent, nonpartisan Congressional Budget Office says that deficit is more likely to be $113.8 billion for 1982?

Mr. HOLLINGS. That is correct.

Mr. EXON. To carry this one step further, for 1983, which we have just verified, the conference report projects a decrease, I would point out, to $103.9 billion in deficits for 1983. Is that correct?

Mr. HOLLINGS. That is correct.

Mr. EXON. And is it also true that for the same period, the independent, nonpartisan, nonpolitical Congressional Budget Office estimates that that same figure will not be $103.9 billion but will be more likely $116.4 billion?

Mr. HOLLINGS. The Senator is correct.

Mr. EXON. I would simply point out, Mr. President, that when you take people who are not involved in trying to give the best face of the budget possible, we are going in the wrong direction with regard to the deficits in the budgets of the Federal Government, from $113.8 billion for fiscal 1982 up, and not down, to $116.4 billion in 1983.

I would simply ask my friend from South Carolina, the ranking minority member on the Budget Committee, is it fair to say, then, that this budget takes us in the wrong direction rather than the right direction from the standpoint of balancing the Federal budget?

Mr. HOLLINGS. It very definitely takes us in the wrong direction. The Senator will remember the distinguished President in his campaign stated that what we were trying to do was to increase the size of the economy and decrease the size of Government. We find in 1980 that outlays by the Federal Government as a percentage of the GNP was 22.5 percent. In 1982 it now has gone up to 24.3 percent of the GNP. So Government is getting bigger and bigger and bigger, and the economy, incidentally, with the Dow Jones stock market index below 800, is getting smaller and smaller and smaller.

Mr. EXON. I thank my friend from South Carolina. Let me ask another question. Is it fair to characterize this as the worst budget, by far, ever proposed from the standpoint of deficit financing, that is, Government spending more than it takes in?

Mr. HOLLINGS. Yes.

Mr. EXON. I hope that my colleagues and the people of the United States will remember that.

There is one other point. It seems to me it is critically important that oftentimes when we talk about budgets, where we are going to cut and where we are going to spend, we lose sight of a very, very important factor, not only with regard to deficits but how those deficits continue to mount and mount and mount and the increase of the public debt that must accrue. There was the $1 trillion figure for the first time in our history just last year.

If this budget is approved, where are we going in increases or decreases in the national debt limit in future years?

Mr. HOLLINGS. Right to the point, of course, we have exceeded the $1 trillion debt limit and we are going to have to extend that debt limit again in the next 10 days. But if you take that $1 trillion limit and look at the public debt for 1982, it goes to $1,151,200,000,000; in 1983, to $1,310,800,000,000; in 1984, to $1,461,500,000,000, and then it goes, in 1985, to $1,607,500,000,000.

So, in 1981 when President Carter left office the national debt was 34.9 percent of the GNP; in 1982 that jumped to 37.7 percent, and now, under this particular conference report by 1985, the public debt will amount to 39 percent of the GNP.

So we are saddling all the generations to come with a bigger government, a bigger debt, and a locked-in interest cost that is going on and on and on. I do not see how the ensuing Congresses, the body politic, will be able to cope with them.

Mr. EXON. I thank my friend from South Carolina. I would like to ask a further question. What was the public debt, approximately, of the Federal Government in the year 1979 or 1980?

Mr. HOLLINGS. In 1979 it was $827.6 billion.

Mr. EXON. I thank my friend. Then if I understand the figures which have just been presented, the course that we are going on with the budget that seemingly we are about to adopt would show that in round figures the public debt of the United States would basically double in a period of 5 or 6 years, from roughly $800 billion to $1.6 trillion. Is that correct?

Mr. HOLLINGS. That is correct. It is a disaster.

Mr. EXON. Mr. President, I thank my friend from South Carolina. I intend to vote against the budget figures being presented for the basic reason that it seems to this Senator that we are bent on a course of making it impossible for us to reduce the interest rates, the high interest rates, the highest real interest rates in our history.

Until we do that, it seems to me, we are not going to have any chance for the farmers, the small businessmen, and people in general to lead us out of the serious recession that confronts our country.

Mr. President, I yield the floor.

Mr. HOLLINGS. Mr. President, I yield to the distinguished Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, what is wrong with the budget resolution, especially as amended by the House?

First, it gives the country a $104 billion deficit for the 1983 fiscal year. That will be the biggest deficit ever by far in the history of the country. The deficit will almost certainly grow far larger than $104 billion. I estimate it will go to $125 billion to $140 billion.

Every budget deficit in recent years has suffered gross underestimate when it was first proposed in the budget resolution. This will be no exception. How do I know? Easy. First, it assumes that we pull out of the current recession with a burst. Growth which, in this fiscal year, will be close to zero is expected to increase to 5.4 percent. This rapid reversal of the economy from recession to boom provides an essential basis for keeping the deficit down to $104 billion. If—as the great majority of competent experts seem to agree—we grow at a far lesser rate and suffer only a sluggish recovery to, say, 2½ percent growth or maybe 3 percent growth, the deficit will be much bigger. Here is why: The level of unemployment in those circumstances would stay at 9.4 percent, or increase. For every 1-percent increase in unemployment, the Federal deficit grows about $25 billion.

The Budget Committee assumes that unemployment will drop to 8.4 percent next year from the present 9.4 percent. That is the way they get the deficit at $104 billion. That does not sound too difficult, except that unemployment is a lagging indicator. It only improves after the economy has been growing at a pretty solid rate for some time. Employers just do not hire back former workers until they put their current workers to work full time and even overtime. And what chance do we have for that? Unemployment has hit the homebuilding industry and the auto industries especially hard. In fact, every credit-sensitive industry has been driven to its knees. No big recovery, no substantial increase in employment in those industries will occur until interest rates begin to drop. But will they? The committee assumes they will. They assume interest rates will come down sharply. But why should they? Interest rates today are high for one big reason—mammoth Federal deficits on top of a huge national debt and skyrocketing off-budget borrowing.

In fact, off-budget borrowing increased in the past few years almost exactly twice as fact as the rapidly increasing budget deficit. The Budget Committee assumes that the Federal Government will take something like 45 percent of all new credit in 1983 that would be more than in any year in our history by far except 1982, and that grim fact alone will probably abort any effective recovery.

Here is why: Interest rates presently paralyze much of American industry. With the Federal Government still demanding a mammoth share of the credit available, and a recovering economy, of course, also requiring increasing credit, the pressure on interest rates will be greater than ever. With that scenario, 1983 will be a replay of 1980, 1981, and 1982. The recovery will run into rising prime rates, mortgage rates, rates for auto buyers and farmers and small business men, and once again—for the fourth time in 4 years—the sickly, anemic recovery will stumble, stagger and then sink into recession.

For all these reasons, the budget resolution is wrong. This Senator introduced an amendment to the budget resolution that would have given us a deficit in 1983 of $90 billion—far too big but a great improvement over where the budget resolution before us puts the economy. It is time for us to realize that we face not a 1- or 2-year problem but a long period—perhaps 10 years or more—of slow growth or recession, of high and often growing unemployment, of great pressure on our manufacturing industry and our financial institutions, of extraordinarily difficult decisions on credit. We will have to do what may seem almost impossible.

This is something that I think too few people in Congress or too few economists outside of Congress have concentrated on: We have to hold down spending, increase tax revenues, and, at the same time, nudge the economy into a healthy period of prosperity and growth.

That is tough. It is one thing to stimulate the economy by increasing spending and cutting taxes. It is something else when you are going in the opposite direction. That is what we have to find a way to do. We must disenthrall ourselves of the illusion that we are still in the thirties and that we can solve this recession by Federal jobs and spending programs. Inflation and its high-interest handmaiden have given us an entirely new, much more difficult, much more challenging ball game. Now we will not be able to spend our way or borrow our way out of the recession. It will take years of consistent and patient forbearance to make progress.

We should not kid ourselves; we are going to have to face deficits, unfortunately, probably for years to come; unemployment at a high rate for years to come; bankruptcies for some time to come, and business failures. But unless we recognize those grim facts and recognize also that it is going to take a long, long time to push our way out of it, we shall not succeed.

Mr. President, I yield the floor.

Mr. McCLURE. Will the Senator yield?

Mr. DOMENICI. Mr. President, I am going to yield to the distinguished chairman of the Energy Committee for a colloquy, but before the distinguished Senator from Wisconsin (Mr. PROXMIRE) leaves the floor, may I take 1 minute with him?

I am sorry the Senator will not vote for the resolution, because I listened carefully to his analysis of the problems we have in this American economy and I agree. I think those of us who put this resolution together and have worked on fiscal policy reorientation for the last year-and-a-half agree with his analysis.

We will not solve these economic problems the way we solved previous recessions and certainly not the way we solved the previous depression. Huge new expenditure programs will not solve it. As a matter of fact, and I regret to say this, I think he is absolutely correct on one point he made. The problems we find ourselves in are not subject to miraculous, instant curses. It is going to take a long period of hard, dedicated work, year after year, reducing that exorbitant rate of growth of the National Government and reducing taxes as much as we can, moving as close to balance as possible, with a monetary policy that accomodates that kind of fiscal policy.

I do not know if the American people are going to have the staying power to let their leaders and their politicians do that, but I think that is what it is going to take.

I thank the Senator for his analysis. I regret that we cannot move any more quickly than we have in this resolution. We have put together the best budget we can that will get the votes necessary to move in the directions we must go. We cannot move any faster.

We have the problem that the President with the strong support of the American people, has pushed for major increases in the national defense function, not cut it. We have that going at the same time we are trying to hold down the budget. We are doing the best we can.

I wanted to say that to him here on the floor. I hope we will arrive at some point in time that we produce a budget resolution that the distinguished Senator can support. I think he and I are moving in the same direction. I regret that we just cannot put it into the political process of getting enough people to support things that would satisfy his inclinations and his concerns, and I regret that.

Mr. PROXMIRE. Will the Senator from New Mexico yield?

Mr. DOMENICI. I would be pleased to.

Mr. PROXMIRE. I want to thank the Senator for the excellent statement he made. I could not agree with him more, and I cannot tell him how reassuring it is that the Budget Committee has that understanding. I think too few people in this country do have it. This is not something we can solve this year or next year. It is going to take at least 10 years or more to solve. We have to be persistent. We have to recognize that it is going to take years of great difficulty, of high unemployment, years in which we are going to have to make the most unpopular kind of political decisions of cutting spending and increasing revenues.

I think that we are very fortunate to have a man of the character and quality of Senator PETE DOMENICI as chairman of the Budget Committee because he does have that understanding. I thank the distinguished chairman.

Mr. DOMENICI. I thank my distinguished friend from Wisconsin.

I will be pleased to yield to the distinguished chairman of the Energy Committee, Mr. McCLURE.

Mr. McCLURE. I thank the chairman.

Mr. President, I rise to ask for a clarification of the conference substitute in several regards.

First, with respect to the fiscal year 1983 functional total for energy (270), section 1(b)(4) establishes a functional total of $4.8 billion in new budget authority. However, as the Senator from New Mexico stated in his opening remarks, this functional total assumes certain user fees will be enacted; namely, this functional total assumes the enactment of $300 million of nuclear waste user fees based on Senate passage of S. 1662. In addition, the resolution assumes enactment of $60 million in user fees collected by the Federal Energy Regulatory Commission, as proposed by the administration.

Is this a correct interpretation of the Senator's statement?

Mr. DOMENICI. Yes.

Mr. McCLURE. Am I also correct in interpreting the Senator's statement to mean that for the purpose of Appropriations Committee actions regarding fiscal year 1983, the energy functional total is effectively $360 million higher in budget authority than the figure set forth in section 1(b)(4).

Mr. DOMENICI. That is a correct interpretation of the conference substitute.

Mr. McCLURE. My second concern, Mr. President, is in the event that the Congress should fail to enact the legislation to raise these user fees, what would be the effect on the functional total for energy. Am I correct that for the purpose of the Appropriations Committee actions the available new budget authority for fiscal year 1983 would beat the higher figure and would be unaffected by whether or not legislation regarding nuclear wastes fees and FERC user fees become final law?

Mr. DOMENICI. That is correct.

Mr. McCLURE. Would that also be the case should this resolution become operable as the second budget resolution for fiscal year 1983.

Mr. DOMENICI. That also would be the case, Mr. President.

Mr. McCLURE. My third concern, Mr. President, is the statement in the conference report regarding user fees which reads as follows:

> The managers agree that the amounts set forth above for increases in revenues include the assumption that the following amounts will be raised through increased user fees to recover costs of Federal programs and activities: Revenues from user fees fiscal year 1983, $0.9 billion; fiscal year 1984, $1.0 billion; and fiscal year 1985, $1.4 billion.

The statement of managers then goes on to add the following:

The spending totals in various functional categories of the budget also include assumed increases in offsetting receipts from new or expanded user fees. The conference substitute assumes that certain user fees will be increases, but the managers agree that the budget may be implemented without the imposition of the specific user fees assumed.

Mr. President, a clarification of this language would appear appropriate. As I understand this report language, several authorizing committees have been provided reconciliation instructions based on assumed user fees. Conversely, several authorization committees have not have assigned reconciliation instructions, although enactment of legislation providing for new or expanded user fees are assumed in various functional totals. Am I correct in my intrepretation of this report language?

Mr. DOMENICI. You are correct. The Finance Committee was given a reconciliation instruction on user fees; office committees with user fee jurisdiction were not instructed.

Mr. McCLURE. With regard to the Committee on Energy and Natural Resources, as we discussed earlier the user fees from nuclear waste and FERC are assumed in the functional totals, are these fees the subject of reconciliation instructions?

Mr. DOMENICI. No, they are not.

Mr. McCLURE. Would the absence of their inclusion in a reconciliation instruction in conjunction with the report language in any way affect our earlier understanding of the functional total for the energy, in particular, from the standpoint of the Appropriations Committee actions.

Mr. DOMENICI. The subject report language is consistent with our earlier discussion. From the standpoint of actions by the Appropriations Committee, spending totals in the various functional categories of the budget would be adjusted by certain user fees, such as nuclear waste and FERC, whether or not such fees are included within a reconciliation instruction to the authorizing committee.

Mr. McCLURE. I thank the Senator for yielding.

Mr. DOMENICI. I thank my friend, the chairman of the Energy Committee.

Mr. President, I want to yield now as much time as Senator GRASSLEY desires. He says 4 to 5 minutes, but I will yield as much time as he desires.

Mr. GRASSLEY. I thank the Senator from New Mexico for yielding.

Mr. President, I am going to cast my vote today for this budget resolution, and that vote comes not because I agree with everything that is in it, because obviously I do not. But my support of it comes from the deep concern that I have for the future direction of our economy and because I think that this budget resolution gives a much-needed and beneficial direction to our economy.

However, I have to remind my colleagues that our work has just begun. To paraphrase the poet Robert Frost, "We have miles to go before we sleep."

Recognizing that urgent action to reduce projected deficits is a very necessary first step toward lower interests rates, I support this resolution as the best possible package that could pass Congress. The final product differed widely from the original freeze concept which I proposed and supported initially and which the Senate Budget Committee adopted, due to the good work of our chairman, in some modified version on May 6.

I still believe that a freeze on total Federal spending would be the fairest of all budgets and would have provided the means of sharing the burden of spending restraint evenly and across the board. It also would have been the most effective way of halting the growth of Government spending at the Federal level.

However, this budget resolution goes a long way toward reducing the projected deficits of $625 billion that would have accumulated by 1985 had we not taken action. It will reduce those deficits by 400 billion over the next 3 years. We have established in this budget a clear downward trend of Government activity in the capital markets. But while the Government's share of borrowing will be declining, our efforts to straighten out the economy are nowhere near completion. For there are two sides to the equation for reducing interest rates. Not only must we reduce Government borrowing but we must also create new capital. The only way that can happen is for Congress to reform the laws governing the economy. We must change from a buy-and-borrow economy to a save-and-invest economy. The first place to start in this reform is with the Federal Tax Code. The problems of the Federal Tax Code are so numerous that it boggles the mind. The Code is inequitable, inefficient, and grossly complicated. Billions of dollars are paid to tax experts to figure out for their clients how to avoid paying taxes.

Mr. President, think of the potential and beneficial use of those billions of dollars wasted through avoiding taxes. They could be spent within our economy in a productive way. And think of the human resources, some of the brightest minds in the country, that would be freed for productive purposes if we could somehow simplify and neutralize the Tax Code.

The present Tax Code through deductions, credits, and exemptions is heavily biased against savings and investment, and strongly favors consumption and debt creation.

The high marginal tax rates faced by all taxpayers make it increasingly difficult for lower income workers to become middle-income earners and middle-income earners to become higher income earners.

Mr. President, unless Congress acts urgently to reform the laws governing our economic activity, there is little chance that the recovery we expect later this year will be sustained. We cannot finish work on this budget resolution today thinking we have satisfied all requirements for turning the economy around. There is much more work to be done and, because of the urgency of the matter, there is little time in which to do it. Significant structural changes are in order, and unless we make the swing back to a save-and-invest economy, we will be ignoring the fundamental causes of our current high interest rates and economic weaknesses.

I yield back the floor.

The PRESIDING OFFICER. Who yields time?

Mr. DOMENICI. Mr. President, I yield myself as much time as I need.

Let me first say to Senator GRASSLEY, the distinguished junior Senator from Iowa, that my respect and admiration for him grows every week in this Senate. I did not know him and he did not know me before we started serving on this committee, but I know that the statement he just made saying he is going to support this budget resolution did not come easy. He does not like the deficits that are here. He did not like them for years before. But let me say he understands that when you are in the majority you need to govern. He understands that governing is a lot more difficult than that simple approach that some in this body take of being against everything and for nothing unless what they are for is something they know will not pass.

Now, I am sorry that the distinguished junior Senator from Ohio left the floor, because what I am about to say is aimed at several of his statements here today. I will have more to say about that shortly.

I say to my good friend, Senator GRASSLEY, that it would have been much easier for him to have taken his 4 minutes or perhaps 20 minutes and to talk about all the things that are wrong with the fiscal policy of our Government, and then say, "For that reason, I am going to vote no." I am sure that the 4 minutes he used could have grown to 34 minutes, with little effort.

So I tell the Senator that my admiration and respect for his positive contributions grow each time we work to get something on which we can vote and which will move us in the right direction. I commend him for it, and I thank him for his support in the committee and in the Senate.

Mr. President, I wish to speak for about 10 minutes, following which the distinguished chairman of the Appropriations Committee wants to have a colloquy with the chairman of the Budget Committee. I wish to talk about and respond to some of the things that have been said here this morning.

It really is amazing to listen to the words of the distinguished junior Senator from Ohio about the deplorable state of the tax laws of this country and the rather incredible nature of the tax cuts that were passed last year; how those tax cuts move absolutely in the wrong direction, and that if he had anything to do with it, he would have done it differently.

It struck me that there were not very many Senators who voted against last year's tax bill, and I thought I should find out whether he had. Well, I find that he voted for that miserable tax bill that helps the rich and hurts the poor and makes Senator HOLLINGS tremble and shake. Senator METZENBAUM cast his vote with the 89 who supported it, not with the 11 others. Senator HOLLINGS, the ranking minority member, who has been opposed to it and talks about its adverse effect—with which I do not agree—voted with the 11.

That is enough on that issue. I will go through a few other items.

First, I hope that those who listen to the words of Senators on the floor understand that it is easy to be against everything, especially when you do not have to govern and when it does not matter what your proposals are, because they are never going to become law anyway. It is easy to do that.

If the distinguished junior Senator from Ohio, who has his litany of problems with this budget and with this President, had supported budgets in the past, it might be that this Senator could say, "He has voted for some policies that are significantly different. He is just complaining because the policies he voted for in the past are not in effect." But he did not vote for those major policy changes when his own party was in office. He used to come to the floor and say the same thing to Senator Muskie when he was here.

He voted against reporting out of committee the last budget Senator HOLLINGS presented from the Democratic side.

So is is difficult to tell what he is really for, except that he is for higher taxes. He is for higher expenditures, except for Government travel costs and things of that type which he says will cut expenditures. That does not really address the issue of high expenditures. Since he is for higher taxes, higher expenditures, and a balanced budget, I wonder what kind of budget he would produce and vote for.

I repeat: He has the privilege of not having to do that.

It was said on the floor that this budget does not address human factors. Well, I have a summary chart which shows that the human resources programs continue to grow. Spending for human resources continues to climb. If one listened to statements on this floor, one would think they were being cut. Let me give some example:

Medicare: If all the proposals are implemented, there would be a 69-percent increase in 1985 over 1981; civil service retirement, 39 percent; medicaid, almost 40 percent; subsidized housing, 68 percent.

Mr. President, I ask unanimous consent to have printed in the RECORD a chart showing the major benefit programs and the growth that will occur.

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

GROWTH OF MAJOR BENEFIT PROGRAMS

The following table shows the growth of major benefit programs between fiscal year 1976 and fiscal year 1981 and their projected growth between fiscal year 1981 and fiscal year 1985 under the budget resolution approved by the conference committee:

	Outlays (billions)			Growth			
				1981 over 1976		1985 over 1981	
	1976	1981	1985 (recommended)	Amount	Percent	Amount	Percent
Program:							
Social security	$72.7	$138.0	$201.5	$65.3	90	$63.5	46
Medicare	17.8	42.5	71.7	24.7	139	29.2	69
Civil service retirement	8.2	17.5	24.3	9.3	113	6.8	39
Medicaid	8.6	16.8	23.3	8.2	95	6.5	39
Military retirement	7.3	13.7	18.1	6.4	88	4.4	32
Subsidized housing	2.3	5.7	9.6	3.4	148	3.9	68
Food stamps	5.6	11.3	11.7	5.7	102	.4	4
Veterans compensation	5.2	8.4	12.0	3.2	62	3.6	43
Supplemental security income	5.1	7.2	8.9	2.1	41	1.7	23
Veterans medical care	4.0	7.0	8.8	3.0	75	1.8	26
AFDC	5.8	8.5	8.5	2.7	47		
Railroad retirement	3.5	5.3	6.5	1.8	51	1.2	22
Child nutrition	1.8	3.4	3.9	1.6	89	.5	13
Veterans pension [1]	2.9	3.8	3.7	.9	31	−.1	−3
Guaranteed student loans	.1	2.3	2.9	2.2	2,200	.6	26
Student financial assistance (includes Pell grants) [2]	2.3	4.5	3.8	2.2	96	−.7	−15

[1] Decrease during fiscal year 1981–85 period reflects a projected decline in the number of pension recipients. Also, new cases tend to have higher nonpension incomes and to receive lower average benefit levels.
[2] Decrease in fiscal year 1985 reflects continuation of changes made in 1981 which initially took effect in fiscal year 1982.

Mr. DOMENICI. Excessive Government travel has been debated here on the floor as if it were central to the budget resolution. That is not true. So that everyone understands, we do not adopt line items in the budget resolution. We do our best to set broad guidelines. I really do not think Government travel has much to do with a budget resolution of almost $770 billion. We ought to be debating the broad issues here.

Water projects: Water project spending is down while human resources spending is up. It has been expressed here this morning that excessive spending for water projects is what is causing us to have to deny the needy what they need from their Government. In fact, this budget resolution contains $200 million less spending for water resource programs than the 1980 budget. After accounting for inflation, there has been a 25-percent real reduction in water programs. I do not think the last President or this President asked for a new project. That means 5 years without a new start.

Defense spending: The distinguished junior Senator from Ohio speaks in terms of waste and fraud, but the real point of it is that he wants lower spending for defense. That is what he is talking about—lower spending for defense.

We held defense spending down during the 1970's and now we have to pay for that. I do not think the majority of the American people support less for defense. They might argue about how much more is enough, but they surely do not want less.

Then as to a balanced budget I just want to make one statement here. The Senator from Ohio wants increased taxes. I wish that those who want increased taxes would state which taxes they would increase and how much.

Then we could put that out for Senators to see what they think about it and so the American people could look at that.

On the fiscal 1982 numbers, it has been said that the outlays we are using are wrong. Let me tell him, I have a copy of the letter CBO wrote to the distinguished ranking minority member, and it says that CBO thinks the fiscal 1982 deficit will be between $105 billion and $115 billion. That is not what they get when they do it item by item. But the next to the last paragraph of that letter, which is in the RECORD, says it will be between $105 billion and $115 billion. We used the lower end of that range for our estimate. I think it is going to be right. I do not see why we should look askance at our estimate.

Then we turn to fiscal years 1983 through 1985, in terms of the various estimates and the various conclusions drawn in the budget conference.

I wish to make a number of documents part of the RECORD which will help explain the conference decisions. Many of the items in dispute are really judgment calls.

Mr. ANDREWS. Mr. President, will my colleague and good chairman yield for a moment?

Mr. DOMENICI. I will be finished in 1 minute and then I will yield if that is satisfactory with the Senator.

Mr. ANDREWS. That is adequate.

Mr. DOMENICI. I am just going to make these part of the RECORD. I shall ask unanimous consent to have printed in the RECORD my analysis of the CBO repricing of the budget resolution which addresses the major reestimates: revenues, defense outlays, OCS receipts, and interest costs. We have Secretary of the Interior Watt's letter with reference to OCS and Secretary of Defense Weinberger's letter with reference to defense outlays. Also, there is the June 18 letter from Senator HOLLINGS to Dr. Alice Rivlin requesting the reestimate, and Dr. Rivlin's response of June 22. I ask unanimous consent to have printed in the RECORD these materials to which I have made reference.

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

The material ordered to be printed in the RECORD follows:

CBO REPRICING OF THE BUDGET RESOLUTION

BACKGROUND

On June 18, Senator Hollings wrote CBO asking them to reprice the Conference Agreement on the First Budget Resolution using the post-policy consensus economic forecast and the CBO estimating techniques for both revenues and outlays.

On June 22, Director Rivlin wrote Senator Hollings answering his request. In short, CBO re-estimates the Conference Agreement deficits higher by the following amounts:

[In billions of dollars]

	Fiscal year			
	1982	1983	1984	1985
Deficit agreed to by the conferees	105.7	103.9	83.9	60.0
CBO re-estimates (lower revenues, higher outlays)	+8.1	+12.5	+20.7	+32.7
CBO repricing of conference agreement deficit	113.8	116.4	104.6	92.7

ANALYSIS

The CBO re-estimates fall into four main categories: revenues, defense outlays, OCS receipts, and interest costs.

We have been over the revenue estimates before. This year CBO introduced a new, largely untested method of estimating revenues. It yields lower revenue estimates than the long-tested Treasury estimating method. The conferees (and the Senate) opted to use the Treasury figures based on their well established methodology.

Defense outlays have also been the subject of longstanding argument going back to last year. We have assurances from OMB and the Department of Defense that DOD plans to live within the outlay levels for the defense function set by the conferees. If they do the management job they have promised, it is hoped that the outlay level set by the conferees will not be exceeded.

OCS receipts have also been a matter of great discussion. The conferees decided to go with the administration's estimate which is higher than that of CBO. Again, this is largely a question of management on the part of the Department of the Interior in achieving the levels we have used. Secretary Watt has stated that the Department has re-examined all of the available information on OCS receipts, including the CBO methodology, and that they see no reason to depart from the numbers the conferees assumed.

The interest re-estimates by CBO are largely the result of the higher deficits in their re-estimate. If the other areas mentioned turn out the way the conferees assumed, the higher CBO interest estimatre will disappear.

U.S. DEPARTMENT OF THE INTERIOR,
Washington, D.C., June 21, 1982.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Recent developments in the world oil market and possible delays resulting from litigation have caused the Department of the Interior to evaluate the Administration estimate of anticipated receipts from our Outer Continental Shelf leasing program.

We have also examined the assumptions and methodology employed by the Congressional Budget Office in generating its estimate of OCS receipts.

Our reviews show no reason to question the validity of the fiscal year 1983 OCS receipts estimate of $15.7 billion contained in the April update to the President's Budget. We still believe our estimate to reflect the most probable level of receipts in fiscal year 1983. The Administration estimate is $3.8 billion above the corresponding CBO estimate of $11.9 billion.

If I can be of further assistance in clarifying this matter, please let me know.

Sincerely,

JAMES G. WATT,
Secretary.

THE SECRETARY OF DEFENSE,
Washington, D.C., June 22, 1982.

Hon. PETE V. DOMENICI,
Chairman, Committee on Budget, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Realizing the extreme importance of the budget resolution and urgency of actions necessary to complete the effort, I thought it would be useful to assure you of the credibility of the Administration's outlay estimating methodology.

This same methodology, which was used in the fiscal year 1982 outlay estimates, has achieved results at the end of the third quarter which confirm the analyses, assumptions, and methodology.

If I can be of further assistance on this matter, please do not hesitate to call upon me or my staff for such assistance.

Sincerely,

CASPAR W. WEINBERGER.

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Washington, D.C., June 18, 1982.

Dr. ALICE M. RIVLIN,
Director, Congressional Budget Office, House Annex Number 2, Second and D Street, SW., Washington, D.C.

DEAR ALICE: Now that the conference on the First Budget Resolution for fiscal year 1983 has reached agreement, I would like your office to prepare an estimate of the conference agreement for fiscal year 1982-85 using CBO estimating techniques. This estimate should be based on the post-policy consensus economic assumptions, adjusted for the actual 7.4 percent COLA, the latest CBO estimate of revenues, and the spending assumptions consistent with the bipartisan baseline.

The estimate should contain all significant revenue and outlay adjustments to both budget functions and deficit reduction categories (by program) in light of the most recent spending data. For those cases in which the House and Senate have differing policy assumptions regarding program cuts, use the Senate assumptions.

If the budget process and the fiscal policy set forth in this budget resolution are to have any credibility with the American people and reassure the financial markets, they must be based on the most objective, nonpartisan data available. I am confident that your office can best supply this information.

Because the conference report will be considered in the Senate early next week, I would appreciate receiving this estimate not later than Tuesday, June 22. If you have any questions or require additional details, please contact Tom Sliter of the Budget Committee staff.

Thank you for your assistance.

Sincerely,

ERNEST F. HOLLINGS.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C. June 22, 1982.

Honorable Ernest F. Hollings,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HOLLINGS: Pursuant to your request of June 18, the Congressional Budget Office has prepared an estimate of the conference substitute for the First Congressional Budget Resolution for Fiscal Year 1983. As you requested, the estimate is based on the post-policy consensus economic assumptions adjusted for the actual July cost-of-living adjustment, the latest CBO estimate of revenues, and the spending assumptions consistent with the bipartisan baseline.

The major CBO estimating differences with revenues and outlays are listed on the attached table. Each estimating difference is identified by budget function and deficit reduction category.

Two aspects of these estimates deserve special mention. First, CBO has reestimated the figures in the conference substitute only in those cases where the conference explicitly chose not to use CBO estimating techniques. With the exception of OCS accelerated leasing, CBO has not reestimated any of the policy changes assumed in the conference substitute, because it is our understanding that the dollar reductions assumed take precedence over any specific programmatic assumptions.

Second, many of the assumptions in the bipartisan baseline date from February. Based on our analysis of actual revenues and spending through April, CBO projects that Fiscal Year 1982 revenues will be in the range of $625–630 billion, outlays will be in the range of $735–740 billion, and the deficit will be in the range of $105–115 billion.

Should you so desire, we would be pleased to provide further details on these estimates.

Sincerely,

ALICE M. RIVLIN,
Director.

TABLE A.—MAJOR CBO ESTIMATING DIFFERENCES WITH REVENUES AND OUTLAYS FOR CONFERENCE SUBSTITUTE

[By fiscal year, in billions of dollars]

	1982	1983	1984	1985
REVENUES				
Conference substitute	628.4	665.9	738.0	821.4
CBO estimating differences	−1.2	−4.8	−11.3	−22.1
Conference revenues as reestimated by CBO	627.2	666.1	726.7	799.3
OUTLAYS				
Conference substitute	734.1	769.8	821.9	881.4
CBO estimating differences:				
Defense spending (defense; function 050)	3.3	1.8	1.8	2.0
OCS receipts (management savings; function 950)	1.2	3.8	3.8	2.6
Civil service retirement (entitlements; function 600)		.3	.4	.6
FDIC (other changes; function 370)	.1			
Social security (entitlements; function 600)	.4			
Unemployment insurance (entitlements; function 600)	.6			
Interest costs (debt service savings; function 900)	1.3	1.8	3.4	5.4
Conference outlays as reestimated by CBO	741.0	777.5	831.3	892.0
DEFICIT				
Conference substitute	105.7	103.9	83.9	60.0
Conference deficit as reestimated by CBO	113.8	116.4	104.6	92.7

(Later the following occurred:)

Mr. METZENBAUM. Will the Senator from New Mexico yield for a question?

Mr. DOMENICI. I had already agreed to yield to Senator HATFIELD.

Mr. METZENBAUM. Just for a question.

Mr. DOMENICI. Surely.

Mr. METZENBAUM. Do I understand the Senator indicated on the floor of the Senate that this Senator had attempted to move defense spending down below last year's figure?

Mr. DOMENICI. No. I indicated that I wanted to respond to some of the things the Senator from Ohio said and he was not here. I was sorry about that. The Senator is here now, but I cannot go back and do it all over again. I indicated that in the 1970's we tried to have less money for defense, in the 1980's we were making up for it, and that the Senator from Ohio would like to cut money out of defense. I thought we had to put more money in and I thought most Senators and most Americans did also.

Mr. METZENBAUM. If the Senator from Oregon will yield further for 1 more minute. Let me make it clear that the Senator from Ohio has never supported or taken the position that we did not need additional defense spending. The question of degree has been at issue and it is at that point that I have a difference with the budget figure. But it is not a question of whether or not it ought to be something less than the past year.

Mr. DOMENICI. I thank the Senator from Ohio.

(Conclusion of later proceedings.)

Mr. DOMENICI. I have a few further remarks I will make later.

At this point I yield to Senator ANDREWS who desires to engage in a colloquy with the Senator from New Mexico.

Mr. ANDREWS. Mr. President, I appreciate the Senator yielding.

I would like to note that I think that it is extremely important for the distinguished Senator from New Mexico to have completed the work on the conference report. A number of us expressed some concern to him on the proper interpretation of the changes that were made in the budget resolution in the conference with the House of Representatives. The House of Representatives had a far different version, of course, than passed the Senate.

Some of us are very, very concerned about the fact that for the first time we have placed restrictions on the aggregate levels of new direct loan obligations and new loan guarantee commitments. My colleague has pointed out that the limits are so high that it should not affect any agency this year. That assumption would appear to be correct. Later on I am sure he will reassure Senator HATFIELD, the chairman of the Appropriations Committee, as he has reassured me, that the insertion of section 9 in the conference report will not set a binding precedent of placing a ceiling on total loan and loan guarantees in future budget resolutions.

Mr. President, one of the things I wish to clear up today with my friend from New Mexico concerns rural electrification. A strong Federal rural electrification policy is vital to the economic development of the rural areas of this country, especially during the current recession and especially during this period of energy shortage where we are importing some $75 billion worth of energy from OPEC countries. The most important Federal rural electrification programs are those administered by the REA. With the key role played by these programs in mind, I ask the chairman of the Budget Committee, my friend from New Mexico, what levels for REA loan and loan guarantee programs in fiscal year 1983 are assumed in this conference agreement?

Mr. DOMENICI. Let me say to my good friend, first of all, that I appreciate his bringing these areas of concern to the floor because I do not think they are his alone. They are the concerns of many other Senators, and I compliment the Senator from North Dakota for bringing them to our attention and to the attention of the Senate.

In answer to the Senator's question, the fiscal year 1983 credit budget totals assume, in function 270: Energy, that REA will be given authority to incur $1.425 billion in new direct loan obligations and to issue $6.4 billion in new loan guarantee commitments in fiscal year 1983. The credit budget totals assume that the Appropriation Act limitations on the REA programs in those amounts enacted for fiscal year 1982 will be maintained for the next year.

Mr. ANDREWS. I thank the Senator from New Mexico for his informative response.

I wish to make a further inquiry in the nature of setting legislative history.

As the Senator undoubtedly knows, there is a good deal of concern among rural electric cooperatives around the country that REA, at the direction of the Office of Management and Budget, may take administrative action to revise the current criteria by which cooperatives are determined to be eligible for REA loans, the current ratios for REA concurrent and supplemental loans, and the interest rates now charged on those loans. The effect of those changes will be to restrict significantly the number of cooperatives eligible for REA assistance and to raise their financing costs. I proposed language to the conferees on these issues. Have the conferees on the first budget resolution taken these concerns into account in assuming the loan and loan guarantee levels for REA cited by the Senator from New Mexico?

Mr. DOMENICI. Let me again say to my good friend that the answer to his question is in the affirmative. My recollection is that the distinguished Senator from Kansas (Mrs. KASSEBAUM) presented the language that I will soon quote, and it has been included in the statement of the managers—which is absolutely the best we could do with reference to this particular issue. The language states the following:

It is the intent of the conferees that direct loan and loan guarantee levels for the Rural Electrification Administration assumed in the fiscal year 1983 credit totals contained in the conference substitute are predicated on the continuation of the present criteria and supplemental loan ratios and on interest rates set in the Rural Electrification Act of 1936, as amended by the Omnibus Reconciliation Act of 1981.

I think the Senator from North Dakota knows, and I do not want anyone else to misconstrue this. This is not binding language, because there is no way we can do that. The authorizing committees or others that have jurisdiction and authority could do differently then we assume. But to the extent that we could state our intent and purposes, the language clearly expresses the conferees support for the continuation of current REA regulations in fiscal 1983.

Mr. ANDREWS. In essence, Mr. President, then what my good friend, the chairman of the Budget Committee, is pointing out is that the conferees did in fact adopt essentially the language that I proposed as an amendment to our Senate budget resolution when it went through our committee. The statement of managers now reflects the Senate language.

Mr. DOMENICI. The Senator is absolutely correct. In fact, the distinguished Senator from Kansas who offered the language in conference indicated that it was language that the Senator from North Dakota had contributed and that she was pleased to offer it because the Senator from North Dakota had requested it and it had such broad support.

Mr. ANDREWS. The main thing we want to make sure is that we now have the Senate version. It is not necessarily important as to who authored it, although that sounds good back in North Dakota as it does in New Mexico and Kansas. That is known in New Mexico as the Domenici-Andrews approach and in North Dakota as the Andrews-Domenici approach.

Mr. DOMENICI. Yes.

Mr. ANDREWS. And in Kansas, the Kassebaum-Andrews-Domenici approach.

Mr. DOMENICI. So long as it works.

Mr. ANDREWS. So long as it works, that is the key thing. I thank the Senator.

I also have a final question. This one concerns the level of funding for the Postal Service assumed in the conference agreement.

As the Senator from New Mexico knows, the conference agreement on the urgent fiscal 1982 supplemental appropriation bill increased the fiscal 1982 revenue forgone appropriation to the Postal Service by $62 to $676 million. The key intent of this increase was to stabilize all postal rates for all subsidized classes of mail at step 13. To maintain this step during fiscal 1983, our Senate resolution assumed an increase for revenue forgone over that level in fiscal year 1983.

My question to the chairman is: Is there enough leeway in this budget resolution, as it now is on the floor, to accommodate the continuation of this higher level of funding for revenue foregone in fiscal year 1983?

Mr. DOMENICI. Let me say to my good friend, again, that I believe there is enough leeway to do what he suggests and what he wants. This was a very difficult issue in conference because, as the Senator knows, the House bill, by mistake or otherwise, had zero in this area.

Mr. ANDREWS. That is right.

Mr. DOMENICI. It is contended that that was a mistake and I take it that it was. We tried to fix it as best we could.

The agreement assumes, on the one hand, only $400 million for Postal Service in fiscal year 1983. However, that figure, as the Senator knows, is not binding on the Appropriations Committees. Only the aggregate level of funding for all discretionary spending programs is binding.

The Senator from North Dakota, and other supporters of postal rate subsidies funded through what is known as revenue foregone, including this Senator, will be able to advocate shifting money from other areas to the Postal Service. They may very well succeed in maintaining these postal rate subsidies during fiscal year 1983 at the increased level for fiscal year 1982 reflected in the urgent supplemental appropriations bill that was before us yesterday.

Mr. ANDREWS. That we passed here with the Senate figures.

Mr. DOMENICI. That is correct.

Mr. ANDREWS. I thank the Senator from New Mexico very much, Mr. President, for these clarifying remarks. I think it makes crystal clear that the conference did indeed move more toward the Senate version and eliminated some of the mistakes that had been made in the other body in these two key areas of importance to rural America. I thank my colleague for yielding.

Mr. HATFIELD. Mr. President, I am delighted to have the Senator from New Mexico clarify some of these matters that were raised in specific terms by the Senator from North Dakota. I would like to pick up on that subject in a broader sense as it relates to credit controls in order to get a clear record as to the duties and responsibilities that must be carried out by the Appropriations Committee following the adoption of this budget resolution.

First, I would like to refer the Senator from New Mexico to section 9 of the proposed conference substitute which would institute, in effect, through the concurrent budget resolution, a wholly new budget procedure governing Federal credit activities. This section, in effect, amends the Congressional Budget Act and the House and Senate rules.

In the last two Congresses, a number of bills have been introduced to address the issue of better congressional budgetary control over Federal credit activities.

I fully agree that this significant area of Federal economic intervention in the private marketplace must be closely examined and brought under some form of better control. I, however, have grave reservations that such a major step should be taken in this budget resolution. This is a matter which demands a far greater level of congressional scrutiny and review.

Mr. President, this provision was not included in the Senate-passed version of the Senate budget resolution and received only cursory attention in the House debate on their amendment. I inquire of the distinguished Senator from New Mexico whether he shares my concern over this section 9 as I have outlined and interpreted it at this time?

Mr. DOMENICI. Mr. President, let me first say to my good friend, the chairman of the Appropriations Committee, that I appreciate very much his overall concerns expressed yesterday and his genuine attitude of cooperation. I really do not think we could have gotten this budget resolution this far without his cooperation. I hope he knows that whenever I can reciprocate by being helpful on his problems I am going to.

This budget process is far from a perfect one and it is under a great deal of pressure. I, frankly, think it is under pressure because these are difficult times. If the pressures were not here they would be somewhere else very soon because the kind of deficits that we have and the extremely high interest rates we have are going to create some enormous areas of trauma for us. Therefore, in attempting to put a budget together, we have had a difficult time.

The Senator's concerns are correct with reference to the credit budget enforcement provisions. These provisions originated in the House. The record of the conference will show that I had serious reservations about including them in the conference report. I was concerned that we were moving too far and too fast in an uncharted area. However, I agree with Chairman HATFIELD that the credit budget needs close attention. I commend him for his efforts in this area, including his cosponsorship of S. 265, which seeks to institute a credit budget.

Why did we accept the House provisions? One simple reason: Section 9 had been pushed adamantly by a large group of House Members whose support for the resolution was crucial. I think the problem of passing any budget resolution in the House was demonstrated in recent weeks and was demonstrated dramatically yesterday when this budget resolution was passed by a razor-thin margin of 210 to 208. The retention of section 9—it was said to me, I say to my friend from Oregon, by leaders in the House who put the coalition together—was critical to many House Members in supporting the resolution.

As the Senator knows, recent budget resolutions have included totals for new direct loan obligations, new primary loan guarantee commitments, and new secondary loan guarantee commitments. Last year, the first budget resolution for fiscal year 1982 subdivided the totals by budget functions. We are not in entirely uncharted waters.

The Budget Act does not require that budget resolutions include any provisions on Federal credit activities. However, as the chairman knows, this segment of Federal financial activity has a very significant impact on our financial markets and, as such, should come under some form of aggregate budgetary control in Congress.

Mr. HATFIELD. I am very grateful to the Senator from New Mexico, the chairman of the Budget Committee, for his explanation as to why this provision was included in the conference substitute.

I must say to the distinguished Senator that I still remain concerned, however, about what impact this provision would have on the timely consideration of appropriations bills this year and the prospects for reversing this violation of what I would consider sound procedural practice. In other words, what about the future? We know now where we are and how we got here, but what would the Senator from New Mexico postulate about the future?

Mr. DOMENICI. I would first say to the Senator from Oregon that, as chairman of the Budget Committee and as a Senator, I am going to continue to work with the Senator in supporting legislative action in regard to credit budgeting rather than the inclusion in future budget resolutions of provisions such as section 9. I agree with the Senator that a procedural step of this importance should be addressed when we amend the Budget Act, and that it should not be done in an ad hoc kind of way.

On the other hand, even if this budget resolution automatically becomes the second budget resolution, pursuant to section 7, it is my studied belief, not just my assumption, looking at the credit budget numbers, that the point of order will create no insurmountable problems this year, because of the numbers in the resolution. I think the Senator's professional advisers conclude as mine have. The amounts in the credit portion are more than ample to cover anticipated credit legislation. I think we all know that.

I further believe, Mr. President, that we should view this provision largely as a dry-run exercise. This is not a precedent. We can evaluate the scorekeeping procedures and then make a judgment on whether to establish such procedures in a future amendment to the Budget Act. Both of us realize, of course, that if the Budget Act is not amended, other Members will undoubtedly seek to include similar provisions in future budget resolutions.

I hope these comments will reassure my friend that I do not consider this to be in any respect a binding precedent.

Mr. HATFIELD. I am very grateful to the Senator. We have had a very fine and cooperative relationship. I wanted to make certain that we had this clearly stated in the RECORD because I did feel that down the road we have to face this in a more pragmatic way as we seek to move the appropriations bills through.

I hope the chairman will be kind enough to move now to another area which concerns me equally about this whole procedure we are following. The chairman of the Budget Committee realizes and knows that there have been differences between the Budget and the Appropriations Committees in the past over the interaction between the cost of entitlement programs and the so-called room provided in the budget resolutions for discretionary appropriations.

We on the Appropriations Committee have often been put in a bind by the growth of entitlement programs which can only be controlled by changes in substantive law. This resolution presents some potential new problems, as I review it.

For instance, the resolution will automatically become a binding second resolution on October 1 unless it is revised before that date. From everything I hear, it seems obvious that this will be the resolution we must operate under until some time next spring. This means that we will not have the normal opportunity to include reestimates and update the resolution for actions Congress has taken.

Also, I understand the conferees did not accept CBO estimates in some areas of spending and instead included lower administration estimates in the resolution. I believe this will also increase the pressure on discretionary programs, which constitutes an increasingly smaller part or portion of the total budget.

If CBO proves to be right, the revised estimates will "eat" the room the budget resolution ostensibly provides for discretionary programs. What I would like to specifically ask the chairman of the Budget Committee is simply, Does the Budget Committee recognize this problem? Is it possible something could be done in the budget scorekeeping system to alleviate what I have outlined as, I think, a very definite problem?

Mr. DOMENICI. Let me again say to my good friend, the chairman of the Appropriations Committee, that I am well aware of the problems he is describing, and I am also aware that there have been some contentions that the budget conferees used artificial estimates to keep outlays down in certain areas and thus hold down the deficit. I am also aware of a concern on the part of members of the Appropriations Committee and others that the upward reestimates of entitlements may squeeze out money for discretionary programs and leave the Appropriations Committee in the position of being unable to fund those programs at the levels assumed in the resolution.

As the chairman has indicted, these concerns are intensified by section 7, that is, that the first budget resolution will become the second on October 1 unless we have adopted a second.

I hope I can provide some reassurance to those concerned about the squeezing out of discretionary appropriations.

During the Senate-House conference a clear record was made committing the two Budget Committees to scorekeeping in such a way that the Appropriations Committee will not have to, to borrow the chairman's words, eat the upward reestimates in the areas in which the conferees did not use CBO estimates.

Let me quote from the official transcript of the conference at page 211:

> Mr. JONES. I would also suggest that for scorekeeping purposes, CBO uses these economic and technical assumptions for scorekeeping. Is there any disagreement to that?
>
> Without objection, so ordered.

That does not answer all of the concerns. I appreciate the contention that we should use a scorekeeping convention that attempts to separate entitlement programs from nonentitlement programs in order to evaluate appropriations bills. While substantial disagreement about the definition of entitlement and nonentitlement accounts exists, I believe that a convention based on this distinction most accurately assesses the actions of the appropriations process in those accounts that are completely within its constructive control. I would hope that we could work together to begin to institute such convention. I am directing my staff to work with the Appropriations Committee staff, as well as the staff of CBO and the House Budget Committee, to begin work on an entitlement-nonentitlement breakout. I know that sounds simple, but I think the chairman and I both know that is not simple. They should start forthwith.

Mr. HATFIELD. They will get involved in definitions.

Mr. DOMENICI. I think incorporating this convention in the scorekeeping system and revising budget resolutions are ways to make sure that the actions of the Appropriations Committee are most accurately scored.

The concerns that the chairman has stated have merit. However, with the assurances I have just given, I am confident that the unanticipated growth in the cost of entitlement programs will not result in a greater squeeze on discretionary funding. I assure the Senator from Oregon that the Budget Committee will be circumspect and cautious in the enforcement of the new budgetary procedures included in this resolution.

I want also to assure the chairman and other members of his committee that I will presonally take the lead in supporting actions which are necessary to permit the Appropriations Committee to have available every dollar necessary for nonentitlement-nondefense programs. This could include adjusting the resolution, revising our scorekeeping procedures, adjusting them, and, as a last resort, the use of the section 904 provision in the Budget Act.

Before I conclude and yield back to the chairman of the Committee on Appropriations (Mr. HATFIELD), I want to repeat that I do not think we could have passed budget resolutions, this one or previous ones, that really tried to look at all functions of Government and make some real mandates in certain areas and begin to restrict the inordinate growth of Government without the Senator's cooperation. It is very difficult. This process is cumbersome, as he knows. People expect more of it than it can do and sometimes we get a bit carried away and think it is going to do everything. It cannot.

I want to thank the Senator for wherever he has been able to help make it work. That has been often. I thank him for it.

Mr. HATFIELD. Mr. President, I express my thanks to the Senator, the chairman of the Committee on the Budget, for his gracious remarks. I think we both find ourselves in a situation which, I suppose, would not be of our choosing if we had an opportunity to chart our own course exclusively.

We are faced with very serious economic problems and in many of the things that have happened, including the reconciliation resolution and, to some degree, this budget resolution as well, we have made exceptions and exemptions and have set aside our perhaps better procedures in order to deal with the emergency at hand. I am very hopeful that, one of these days, that emergency will be behind us.

At the same time, I raised these questions in colloquy and I shall work with the chairman and the members of the Committee on the Budget diligently to try to make sure that we do not let these exceptions become the rule or become the pattern to the point where we lose sight of the better ways, the better procedures that have been outlined in precedent and practice, as well as law and Senate rules. I think, as I said when I opened up my remarks today in this colloquy, we ought to face up to the reality that we are amending an act by this resolution, that we are changing House and Senate rules by this procedure and that, really, this is not the best procedure to follow. But under the exigencies of the time, I believe that we have to deal with this problem as best we know how.

I commend the Senator and wish that what the Senator and his committee originated on the Senate side in this resolution could have prevailed more in what came back to us in the package out of the conference. I think the Senate had the better product. That is the reason I raised some of these questions with the Senator from North Dakota. I see the Senator's colleague from New Mexico is probably about to raise more questions.

I assure the Chair that as far as my own views are concerned, I shall continue to, perhaps, hold my nose and do certain things here for the purpose of getting the job done, but certainly not with enthusiasm or anything other than recognizing that as an emergency, that we are doing things under emergency conditions and that these are not necessarily of the chairman's choosing nor of my choosing. But we have to deal with these practicalities and these realities, I suppose, in the best way possible. I thank the Senator for his assurances and I know there is no sense of disagreement as far as our objectives are concerned. For that matter, I do not think there is that much difference, perhaps, in our preference to follow other procedures than what we are forced into at this moment.

Mr. DOMENICI. Before I yield to my colleague, Mr. President, let me say to Senator Hatfield that when we undertook the process last year, the whole subject of reconciliation, Senator HOLLINGS and I introduced the "let us restrain Government" part that was going to become reconciliation. We thought we were doing something that most people would not like and they would never want us to do it again. But we get down here now with a resolution and we hear some say, "We cannot live under this resolution because you did not order somebody to be reconciled."

We never used reconciliation at all before 1980. We used to set targets and say, "Authorizing Committee, Appropriations Committee, or Finance Committee, you had better meet those targets." Now if we do not have reconciliation on some program that we assume is going to grow less rapidly, they ask why we do not order them to do it.

I hope we can get to the point where we do not have to have reconciliation at all. I am not sure we are going to, especially when we look at growth in those programs—entitlements, things that the Senator's committee does not have jurisdiction over. We may never get to it. We may have reconciliation henceforth, as long as we have a process.

Reconciliation in this resolution, as the Senator knows, addresses almost exclusively revenues and entitlements. We did not use again the process of reconciling authorizations to which the Senator called attention last year.

Mr. HATFIELD. Does the Senator say only the second advent will prevent this from happening? If that is our only hope, perhaps we had better pray a little harder.

Mr. DOMENICI. I do not know. Some type of miracle, I guess.

Mr. SCHMITT. Mr. President, my good friend from New Mexico, in his just concluded discussion with the Senator from Oregon, the chairman of the Appropriations Committee, referred to entitlement increases. I ask for the purposes of this RECORD, does that include entitlement increases that are assumed in the budget, either as a consequence of failure to enact reconciliation instructions or the failure of the budget to include reconciliation instructions?

Mr. DOMENICI. It does.

Mr. SCHMITT. On a different subject, I assume that the fiscal 1983 bill from my Subcommittee on Labor, Health and Human Services and Education will be within the subcommittee's allocation as that is determined, hopefully with some distinction between entitlements and discretionary funds. But that may assume that we do not know everything that we should know at the time that bill is enacted, either on its own or as part of a continuing resolution.

Supplemental appropriations that may appear in the next calendar year would conceivably affect the degree to which this particular bill meets the constraint of a second concurrent budget resolution. How will the new enrollment provision apply to a particular appropriations bill in such a case?

Mr. DOMENICI. Did the Senator assume we would have a second budget resolution?

Mr. SCHMITT. I assume the second budget resolution either will appear or will be automatically this resolution when we hit October 1.

Mr. DOMENICI. Will the Senator repeat the precise question?

Mr. SCHMITT. My question is, when we are within the allocations that would be constrained by that second concurrent budget resolution, will those allocations assume the supplemental appropriations that may come later in the fiscal year?

Mr. DOMENICI. I do not know the precise answer to that. I think I just have to leave it at that at this point. If the Senator is talking about the enrollment, the first time around, without assuming supplementals, obviously there would be no delay in enrollment if it does what the Senator said, because it would not breach it.

Mr. SCHMITT. As the good Senator knows, in this last year, when we dealt with a continuing resolution, certain assumptions were made in order to veto proof that continuing resolution, that everyone who made them knew were going to result in a continuing resolution. To that degree, we had some mythical numbers—guaranteed student loans is the most obvious example, where we deferred over a billion dollars worth of appropriations for a supplemental. That now becomes part of our allocation.

Mr. DOMENICI. I say to my friend and colleague from New Mexico, before I answer his question, let me make a statement here for the RECORD about his concerns and what I think has been very courageous activity on his part.

Part of the genuine concern that his chairman and I discussed with reference to the entitlement-nonentitlement issue comes about because the Senator has made us aware of the extreme problem that he has in his bill with reference to those two. We are aware of it and want to help. We also know how difficult it has been in the past when entitlements grow and you still have to fit the other part in your bill.

Let me answer as best I can. First, if it was after October 1, you either have a second budget resolution newly adopted or this one becomes the second, in which event the delayed enrollment does not apply.

That is how I understand it, because then you are measuring it against a permanent resolution: To wit, you incorporate the second which has been made so by this resolution's conditions being met, or we adopt one.

I think all I can do on the other question, with reference to the supplementals, is tell you that we put them in this resolution as best we could, and the funding we assumed has been crosswalked in accordance with committee jurisdictions.

If there are unanticipated changes in entitlements, I told Senator HATFIELD what we are willing to commit to. We would just have to stand by the proposition that we are hopeful that we have included all of the nonentitlement money in the resolution and the crosswalk numbers. If you use all of it prior to funding essential supplementals, you would obviously have a problem.

That is what I am told by the staff, and I think that makes sense. I hope it helps. I cannot do any better than that.

Mr. SCHMITT. It does, and I appreciate the Senator's concern and it may be that in subsequent discussions between ourselves and the staff we can clarify it even more.

Is it my understanding of what the Senator said earlier that the delayed enrollment process would not apply once we have a second concurrent resolution, by whatever method we achieve that?

Mr. DOMENICI. Page 15 of the conference report, section 4, Miscellaneous Provisions, 4(a):

No bill or resolution providing new budget authority for fiscal year 1983, or new spending authority described in section 401(c)(2)(C) of the Congressional Budget Act first effective in fiscal year 1983, which exceeds in either the House of Representatives or the Senate, the appropriate allocation or subdivision of such new discretionary budget authority, new budget authority, or new spending authority made pursuant to section 302 of such Act shall be enrolled until after the Congress has completed action on the Second Concurrent Resolution on the Budget required to be reported under section 310 of such Act.

Mr. SCHMITT. And the completion of action on the second concurent resolution would either be by specific action of the Congress or——

Mr. DOMENICI. The date here. The October 1 date.

Mr. SCHMITT (continuing). By the effective action of section 7?

Mr. DOMENICI. That is correct.

Mr. SCHMITT. Finally, I want to compliment the Senator from New Mexico and my good friend and distinguished colleague for what he has been through and the way he has handled it in the last several months. There is much left to go through. As he and I have discussed before, although budget resolutions do not deal with actual appropriation of funds, or in and of themselves change tax laws, they do establish guidelines that I think in good faith the chairmen of various committees on this side of the aisle are going to try to adhere to. As we approach October 1, I am sure things will get even more exciting, whether or not we deal with the specific second concurrent budget resolution or not. As he also knows, the so-called real money bills of an appropriation and tax nature, particularly the appropriations bills, as they approach that magic date are going to have some very, very difficult political times.

I hope that this Congress, this Senate at least, will allow us to act on every appropriations bill, particularly the one for which I am responsible, without creating a monster in effect that violates both the efforts of the senior Senator from New Mexico, and also the needs of the country, because as we know we are going to reach a point where the size of that bill is going to determine whether or not it ever becomes law. This business of dealing with the major labor, health, human services, and education programs of the country on a continuing resolution has to stop some day. Now, whether the Senate is going to be willing to stop that process, I do not know. But it certainly has my commitment to try to make it happen as a regular bill as soon as possible.

Let me repeat once again that in answer to an earlier question the Senator included in his definition of unanticipated entitlement increases the possibility that entitlement action would not be forthcoming due to the reconciliation process.

Mr. DOMENICI. That is correct, I did.

Mr. SCHMITT. Apparently there was some confusion and now the record is very clear.

Mr. DOMENICI. I think I said it, but that clarifies it.

Mr. SCHMITT. Yes, I am sure the Senator said it. I thank the Senator again, and again he has my compliments for his work.

Mr. DOMENICI. I thank the Senator. I am most appreciative.

Mr. HOLLINGS. I yield myself, Mr. President, 2 minutes until the distinguished Senator from Ohio comes back on the floor.

I would comment that this is where the discipline of the budget process begins to deteriorate, crack, fragment, and break apart. The distinguished chairman of the Budget Committee in his reply indicated he would go along with his various committee chairmen and subcommittee chairmen, and colleagues and use the either false figures or the liberal figures, or the inaccurate figures, or the procedures. He is quite candid. He says, "That is the only way we could get the vote." He said, "I tried to oppose it and the record would show that I had serious reservations about including the provision relative to Federal credit activities. And that is the way we got the vote." And then going on with the prepared exchange, the distinguished chairman of the Appropriations Committee talks about artificial estimates to keep outlays down in certain areas. Later in the exchange, it is stated that the concerns of the chairman of the Appropriations Committee have merit.

These are the things that, as the ranking minority member, I had to read, not with any glee or pride but by way of admonishment.

When you have to go around the room and show that the budget does not mean what the budget says, you are in a pretty bad condition. You write your own budget and it does not have a bipartisan approach and thereby not bipartisan support. Later in the implementation we all work, as chairmen and ranking minority members, with a concern and a conscience. But if you are not part of it, then the implementation becomes next to impossible. You get very close, with split-down-the-middle votes in the House and in the Senate; and the confidence in Congress and confidence in the system begin to dissipate and dissolve.

It not only dissipates with the public—as former Secretary of the Treasury Simon says, sham, sham, oh, sham—but also, it dissipates with the membership in Congress. I think that is bad.

The PRESIDING OFFICER. The 2 minutes of the Senator from South Carolina have expired.

Mr. HOLLINGS. I yield myself such time as I may need.

I listened to Senator DOMENICI explain, with the Senator from Iowa (Mr. GRASSLEY), that it is easy to be against everything and easy to be for what they know will not pass. It was not what we knew would not pass. It was our obligation and our duty, as Senator DOMENICI knows, to try to say something on social security.

Mr. DOMENICI. Absolutely.

Mr. HOLLINGS. My mother is 94, and she is a member of AARP. Last week, I received their article, and it really read the riot act to Senator DOMENICI and Senator HOLLINGS. At the top it said "See this," and it was signed at the bottom, "Your Mother." so the AARP is getting its message across to me directly. It was not easy.

The article was not accurate. We were not cutting anybody on social security. They took the projected increases of the CPI over the next 3 years and added up thousands of dollars. Then they made the innocent reader feel as though we were cutting $2,000 and $3,000 from social security benefits. What we were trying to do was to maintain the integrity of social security and not cut them at all, but end up with an increase.

Mr. DOMENICI. Mr. President, will the Senator yield?

Mr. HOLLINGS. I yield.

Mr. DOMENICI. I say for the record that those comments were not intended for or directed at the Senator from South Carolina (Mr. HOLLINGS).

Mr. HOLLINGS. I know that.

It is easy to be against everything. The Senator from New Mexico finally answered the question.

I confronted a business group that had taken their text from Simon last night, and it is all over Congress.

The statement or description, "so easy to be against everything," does that not describe us here this year, in a general sense? I do not refer to the Senator from New Mexico, as he does not refer to me. The budget has been a very difficult thing.

Last year, the President had a budget; he identified his program; he sold it on TV, and he sold it in appearances all over the country. He got the people behind him, calling in to their Congressmen, and Congress responded.

This year, because they are not doing anything, the business community and the leadership say the infrastructure has broken down. Nothing has happened between last year and this year to the infrastructure. It is just that when you say it is easy to be against everything, nothing has been proposed. On the contrary, the President of the United States says, "If it ain't broke, don't fix it." So he does not think he has a problem. He has not identified any problem over here.

What he has done is to go, like a butterfly, from bush to bush, to each particular budget proposal: "I will back this one, and when that is defeated, I will back that one."

He has had his minions fashioning these documents to get to the vote, and how they do that was vividly described in the exchange between the chairman of the Appropriations Committee and the chairman of the Budget Committee.

But therein is why Congress can take such positions—because we can tell what we are against, and the public cannot identify what we should have been for.

Everybody uses the phrase "lower deficits." But where was the plan to bring about those lower deficits? It has been wanting. Some of us tried but now we are back to the starting line.

As is said in II Corinthians:

> For if the trumpet give an uncertain sound, who shall prepare himself to the battle?

This year, we never really did prepare for the battle. We engaged in internecine warfare and in a struggle to get a political document but not a budget.

I see that the distinguished Senator from Ohio is in the Chamber.

Mr. METZENBAUM. I am trying to obtain a transcript of what my good friend said, so will the Senator continue?

Mr. HOLLINGS. Mr. President, we have a little less than an hour on this side. I heard from the minority leader that other Senators might want to speak, but I do not know who they are. I hope that Senators on the minority side who wish to address this particular amendment, the House amendment in the nature of a substitute, which really constitutes the conference report, will please come to the floor, and we will be glad to yield time to them.

I yield the floor.

Mr. DOMENICI. I yield myself 1 minute.

Mr. President, I hope that Members on this side know that I am unaware of any further statements or comments any of them have to make, except Senator CHAFEE, who wants to make some remarks. I know of no further proposals, motions, or otherwise, on our side, and I have so informed the majority leader. I say that because we may be here asking for some kind of consent based upon that in the not too distant future, and I want to make sure everybody knows this.

I say to my good friend, Senator HOLLINGS, with reference to the article he referred to, which he received from his beautiful mother, and the error they keep putting in, that he and I were mentioned as social security cutters.

I recall that when I proposed the solvency numbers—6, 17, and 17—somebody added them up, divided by the number of social security recipients—the somebody was a Senator on the other side of the aisle—and the number that you get by dividing was assumed to be the cuts. Across the country it went that my proposal would yield a cut of so much in each recipient's benefits.

But what that did not reveal was that before you start to take solvency actions, there is a huge increase that goes into effect. The increase is much bigger than the reduction caused by the solvency requirements, even if you took them all out of benefits and did nothing on the revenue side.

So that if it came out x dollars per check on average, it turned out that they were going up about three x to begin with, and you are taking only one x away; so they are going up twice as much as the reputed reduction before you start to apply it.

We never could make this point. It went across this land, as the Senator has indicated, through that kind of periodical.

I think we are just going to have to wait and convince Americans that those pension programs are not going to have to be cut but reformed and maybe even stabilized for a few years with little or no increases. But it is just a fact of life. Their spendout is such that there will not be enough money for all the increases now scheduled.

Mr. HOLLINGS. If we could only do that here this afternoon the whole picture would change.

Mr. DOMENICI. That is right.

Mr. HOLLINGS. In the entire conference they looked and searched and looked and searched about all of those figures.

But if we could finally control the uncontrollables, as the Senator from New Mexico tried to do, and I commend him for it, and as some here tried to do. If we could only have done at least that this year we would have shown some propensity, as they say, to bite the bullet or to tighten the belt, or be realists which every mayor and every Governor, every labor union, every private industry has been doing all year long. The country just cannot understand why we cannot respond whatsoever.

We are just hiding behind the issue of social security in the context of who can outmaneuver the other one politically when the truth of the matter is this is being disloyal to the fund.

Mr. DOMENICI. That is right.

Mr. HOLLINGS. We never recommended that anyone should get less. We recommended they should get their money, but we see it as very obvious that the trust fund is running out of money. They are borrowing from the health insurance fund. I think the last loan will go out about March of next year. That will be the last check. They are going to have to come up with something.

Mr. DOMENICI. Yes.

Mr. HOLLINGS. I commend the Senator for it. I wish we could have done at least that. I think that would have meant that we had faced our problem in a sober fashion. Our current inaction, coupled together with these tax exemptions for Members of Congress, just makes Congress really appear in a bad light.

But let us find out how badly we really appear from the Senator from Ohio.

Mr. DOMENICI. Yes.

Mr. President, I think we are ready to ask for a quorum call here in a moment, but I do think it is more than appropriate for me to commend Senator HOLLINGS, the distinguished ranking minority member, for his nonpartisan, bipartisan position on social security which he started many, many months ago. I do commend him for it. I think it was a tough thing to do. He has not departed from it one bit, and I think he has probably already taken most of the guff he is going to take, but I do wish to remind Senators that he had a lot of courage. We could have done something on this together, I think, with a little support from the outside.

Mr. HOLLINGS. I thank the distinguished chairman.

If he does not mind I yield now to our distinguished minority leader such time as is necessary.

The PRESIDING OFFICER. The minority leader is recognized.

Mr. ROBERT C. BYRD. Mr. President, I thank the distinguished Senator from South Carolina.

Only a few weeks ago I stated my reasons for voting against Senate Concurrent Resolution 92, the Senate's first budget resolution for fiscal year 1983.

I regret today that I have to say again that I will vote against this budget resolution.

Mr. President, nothing has been done to alleviate the very serious concerns that I have about this budget resolution and its impact on the economy. The economy is still at rock bottom. Business failures are running at a weekly rate of 478, the highest rate of failures since the Great Depression. Long-term interest rates, mortgage rates, and municipal bond rates are higher now than when the administration took office. Mortgage rates last week averaged 16.7 percent. Even short-term interest rates are beginning to rise. The most recent 3-month Treasury bill rate was 12½ percent.

The conference agreement on the first budget resolution for fiscal year 1983 offers no aid to our Nation's economic recovery. I will have to vote against the budget resolution that includes $95 billion in new taxes over the next few years to say nothing of the $3 billion in increased user fees that will affect barge traffic on the rivers in and outside West Virginia which, in turn, will affect the price of coal, oil, and other commodities and inasmuch as this measure does not tell anyone which taxes will be increased and by how much. I cannot vote for a budget resolution that makes deep cuts in necessary programs that have already been slashed, that will result in cuts aimed at our elderly, our veterans, our working people; cuts that will deprive deserving students of the chance to go to college, cuts that will translate into fewer jobs with 10.5 million people already out of work. I cannot vote for a budget resolution that is based on phony numbers and economic assumptions that are jimmied to suit the scenario.

This budget includes so-called management savings of $46.4 billion over 3 years, including $13.6 billion in fiscal year 1983 alone. This is a revival of the phony David Stockman "magic asterisk," the unspecified savings that I warned about last year when I repeatedly offered amendments in the effort to force the administration to disclose and to define the so-called unspecified savings.

I am sorry to say that my warnings on phony budget estimates and radical untested economic theory went unheeded, and as a result the President's deficit for fiscal years 1982 through 1984 has ballooned since September of last year from $66 billion to $296 billion. That is what feeding phony numbers into computers and wild-eyed theories will get us—a fourfold increase in deficits in 6 short months.

It is tragic that those charged with the nurturing of the new budget process are sewing the seeds of its destruction by abandoning a commitment to honest budgeting.

Another example of the many questionable estimates included in this budget resolution is the increase in receipts from oil and gas leases. CBO estimates that the savings included from increased receipts from gas and oil leases on the Outer Continental Shelf were overestimated by $10.2 billion.

So what kind of confidence can anyone have in a budget resolution with such a shaky base?

I cannot vote for a budget resolution that is flawed as this one is, that raises as much new taxes as this one does, and that still carries the highest deficits in our history.

With all of the cuts, tax increases, and faulty assumptions, this budget still has a total $247.8 billion deficit over the next 3 years—$103.9 billion deficit in fiscal year 1983, $83.9 billion deficit in fiscal year 1984, and a $60-billion deficit in fiscal year 1985.

The most disturbing of all this potential disaster is that it was avoidable, if that Kemp-Roth tax scheme, particularly the third year had been delayed or tied to economic performance. The Senate would not now be faced with the vote to make unspecified increases in taxes totaling $95 billion in a recession partly caused by the Kemp-Roth scheme.

I tried to delay the Kemp-Roth tax scheme for the wealthy until the economy could afford it. The Democrats in the Senate tried repeatedly to tie the third year of Kemp-Roth to economic conditions. We did not want to eliminate the tax cut but only to schedule it when we could best afford it if possible.

We argued that there was no sense in adhering to a doctrinaire timetable established by rigid ideologies. I stated at the White House in a conference with the President that the Kemp-Roth plan should be more moderate, that it should pay attention to the needs of our people, not to the needs of theory and that it should be tied to the performance of the economy.

So I will vote against the budget resolution today. It leads not to recovery but to further burdens on our economy. This is not the commonsense approach needed to put the economy on the road to recovery.

I hope at some point we will have the opportunity to vote for a budget resolution that truly restores economic recovery through a policy of prudent tax cuts, prudent spending cuts, prudent defense spending, honest estimating, and a prudent monetary policy.

Mr. President, I yield the floor.

(Mr. SPECTER assumed the chair.)

Mr. DOMENICI. Mr. President, I understand Senator STAFFORD wishes to discuss a couple of issues with me in a colloquy. I yield to him whatever time he needs for that purpose.

Mr. STAFFORD. Mr. President, I thank the able and distinguished chairman of the Budget Committee for yielding to me for the purpose of this colloquy.

Mr. President, in regard to the conference report on the first budget resolution for fiscal year 1983, I would like to ask the distinguished chairman of the Budget Committee to help corroborate for me certain items pertaining to education programs in function 500, and in particular the guaranteed student loan program. This clarification will help guide the Subcommittee on Education, Arts, and Humanities, of which this Senator is chairman, in its activities for the remainder of this session of Congress.

It is my understanding that the conference report assumes certain savings in the guaranteed student loan program in fiscal years 1983, 1984, and 1985, based upon a reduction in interest rates relative to the CBO interest estimates, as well as a new requirement that all students be required to demonstrate financial need in order to recieve a guaranteed student loan.

However, I note that the conferees do not require either the Senate Committee on Labor and Human Resources or the House Committee on Education and Labor, which have jurisdiction over the GSL program, to pass legislative changes to achieve these savings—in other words, no reconciliation is required. If this is correct, I am pleased that the chairman of the Budget Committee and his colleagues from this body, especially Senator HATCH, have worked diligently in conference to uphold the Senate position on this important issue; that is, that no further changes beyond those adopted last year in the Omnibus Budget Reconciliation Act of 1981 are required for the guaranteed student loan program.

Finally, I am informed that the conference agreement for function 500 includes increases for certain education programs—specifically title I of the Elementary and Secondary Education Act, the pell grant program, the Education of all Handicapped Children Act, the State block grant, and the vocational and adult education programs—above the fiscal year 1982 funding level. I am greatful to the conferees for agreeing to add funds for these programs to the functional ceiling, and hope that my colleagues on the Appropriations Committee will also view these programs as a critical national priority when they consider fiscal year 1983 appropriations legislation later this year.

I deeply appreciate the help of my colleague from New Mexico in clarifying these matters and I ask him if I have correctly stated the situation as he understands it.

Mr. DOMENICI. Mr. President, I say to the Senator that his understanding of this conference resolution is correct. He is right in stating that there is no reconciliation instruction for the Sanate Committee on Labor and Human Resources. nor the House

Education and Labor Committee, which is its counterpart. This means that we do not require—and I stress that the Senator is absolutely correct—we do not require any changes in the guaranteed studet loan program for this year.

I think that this allows students and parents to confidently plan their finances for the coming year. But I would be less than candid if I did not tell the Senator that I still have concerns about the future, not this year, but the future years as far as Federal student aid programs are concerned.

I think the Senator knows that the target numbers in the outyears assume that we must continue to have great concern about the growth of some parts of students aid while the others are being squeezed out. I am concerned because I think we have to continue to provide access, and I am sure the Senator agrees, to higher education for a broad range of students. We must work to preserve funding for the programs that provide the financial assistance to our neediest and our poorest students.

For this reason, I am particularly pleased that the resolution assumes a funding increase of $100 million for the Pell grant program and substantial increases, because of the budget authority and outyear funding, for elementary and secondary education for disadvantaged and handicapped. Of all education programs, it seems to me that these are very high, if not the highest, on the priority list.

I wish to thank the Senator. His interests in this area are well known, as is his cooperation in trying to help us get a budget resolution. He is concerned about the overall economic situation as well as those programs of very specific interest to him. He has cooperated with us and it is appreciated.

Mr. STAFFORD. I thank the Senator very much. Again, I say how much, as chairman of the Subcommittee on Education, Arts, and Humanities, I appreciate the cooperation of the Budget Committee in these very important matters that I agree with the Senator are of high priority.

Mr. RANDOLPH. Will the Senator yield? Mr. President, who has the floor?

Mr. DOMENICI. I control the time and I yielded to the distinguished Senator from Vermont.

Mr. STAFFORD. I am happy to yield to the Senator from West Virginia.

Mr. DOMENICI. Did the Senator want some time?

Mr. RANDOLPH. No, I just wanted to make a brief comment.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. RANDOLPH. The colloquy between Senators DOMENICI and STAFFORD, just concluded, pertaining to a decision not to require reconciliation of the guaranteed student loan program, is going to stimulate many, many small colleges, private and independent especially, throughout America, to take that knowledge to parents and to students within the next week or two.

I think that other Senators, if I may suggest, have had correspondence and personal contacts, with parents, students and college officials from our States expressing concern over the GSL Program. I have been visiting colleges in West Virginia that face a loss, I say to the able Senator from South Carolina (Mr. HOLLINGS), a loss in one institution alone of 250 students in September because of the problems they have encountered in obtaining student financial assistance. In my own alma mater in West Virginia, Salem College, we have had three emergency meetings of the board of trustees within the past 6 weeks. The night before last we met from 6 in the evening until 2 o'clock in the morning, knowing that at that institution of higher learning we do have worthwhile young men and young women who need to remain in college as well as those who hope to enter college in the fall. I am grateful for the concern and understanding of Salem's dedicated faculty and board of trustees, as well as a patient and cooperative student body as we all work to help each other during these troubled times for higher education's goals.

We understand across America that our public institutions are vital, but they have the financial support of States, as well as the Federal Government, in providing tuition aid to students. Often, I say to Senator HOLLINGS, Senator DOMENICI, and Senator STAFFORD, there are large church constituencies that are able to help these colleges that are denominational in nature. But there are many like the college of which I speak in the town in which I was born that do not have church backing. I look back and it is not wrong for me to say here today that Salem College was brought into being because of a group of 11 men who formed the college a long, long time ago, before the turn of the century. My grandfather was the first chairman of that college board of trustees. He had only five winters, I say to Senator HOLLINGS, five winters of schooling, but he saw the need to help the young people of West Virginia, men and women who would hold positions of trust and responsibility in leadership in the years ahead. So that was the contribution that he and hundreds of others have made across this country in bringing into the rural sections, as well as to the great metropolitan areas, the existence of small private colleges like ours.

In a State like West Virginia, with its hills and valleys, there is tucked in my hometown a valley of learning. There young men and young women are participating, they are pursuing studies not only in the arts and sciences, but the career education programs as well.

Students can come there and learn to be an airline mechanic. They can come there and learn to fly an airplane. They can come there and study at Salem's School of Equestrian Sciences—the only liberal arts college in the country to offer such study to my knowledge.

That is just a part of the innovative programs that we have at Salem College in more than 35 what I call the "options in education," while keeping the basics of the arts and sciences.

I rise in earnest commendation of my colleagues, Mr. President, to say that what has been achieved by the Budget Committee is an effort by men of good will; men who are well reasoned. The protections provided for the student loan program has the backing of the Senate membership and the House membership, and hopefully will be supported by the White House. How happy I am as a member of the Subcommittee on Education, having been on those committees in the House and Senate for 38 years. We cannot forsake our college youth. As the budget resolution indicates, we have not let the youth of this country down who need financial assistance even though they themselves are working to help earn their way. And sometimes, in the college I speak of, students are holding down two or three jobs and still pursuing their studies. But the aid that is available through the programs mentioned today. Programs we have agreed not to scuttle, indicates our realization of their value. This reaffirmation of our support for higher education is not only comforting to me, but I believe represents an honest expression of that which is best in the building of a better America.

I am also earnest, Mr. President, when I thank my colleagues, Senators DOMENICI, HOLLINGS, and HATCH, of the Budget Committee, and the able chairman of our Education Subcommittee, Mr. STAFFORD, for having the compassion and courage to increase, even modestly, funding for the Pell grant program, and for title I of the Elementary and Secondary Education Act for disadvantaged and handicapped children.

I thank the Senator from New Mexico for yielding his time to allow me to comment at this time.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, before the distinguished Senator from Vermont leaves I want to again thank him here on the floor for his dedicated work in the field of education, but apropos to today's activities for his cooperation with the Budget Committee not only in his work on education but also for his cooperation as chairman of the Environment and Public Works Committee. I want to express that publicly. The Senator has been most attentive, cooperative, and concerned about the problems that we have that he shares in as chairman and as a senior member of two of our most important committees.

Mr. STAFFORD. Mr. President, if the Senator will yield, I want to express my deep appreciation to the most able chairman of our Budget Committee for his very kind words. It is always a pleasure to work with him on the Budget Committee and in the Environment and Public Works Committee on which we have served for a number of years together.

Mr. DOMENICI. Mr. President, I yield as much time as the distinguished junior Senator from Washington desires.

The PRESIDING OFFICER. The Senator from Washington is recognized.

Mr. GORTON. I thank the chairman of the Budget Committee.

Mr. President, we are now within an hour of the time at which we will vote on the last step of what is nevertheless only the first round of the budget process for fiscal years 1983, 1984, and 1985.

I wish to take this opportunity to suggest strongly to my colleagues that they support the budget resolution. I do not do so because I feel that the balance in this resolution or the bottom line it contains is as satisfactory as was the budget proposal which I introduced in early February. I do not do so because I think that it is as good as the proposals made by the chairman of the Senate Budget Committee at various times, all the way from last October through May of this year. I do not do so even because I feel that the resolution as it appears before us now is as judicious and as well-balanced as was the resolution when it was originally passed by the Senate.

I do so, however, because I believe that this resolution does represent an appropriate compromise between various competing considerations in both Houses of the Congress and proposals made by the President himself.

To an even greater extent, I recommend that my colleagues vote in favor of this resolution because I believe that the alternative to its passage would be a situation of chaos and disorganization which would have extremely adverse effects on the economy of the United States as a whole.

In other words, after some 6 months of working, we have come up with a product with which I am not entirely satisfied, and with which the chairman of the Senate Budget Committee is not entirely satisfied. I do not think any individual Member of this body harbors anything other than the belief that he or she could do better were he or she able to write such a resolution alone. This budget resolution is, nevertheless, a result of the political process, a result of compromise. It represents a significant and major step forward in the proper control of Government spending.

I would wish that more controls had been imposed upon the growth of entitlement programs, retirement programs, and others as well. I would wish, frankly, that we had put somewhat more restraint on the national defense budget during the course of the next 2 or 3 years, as necessary as these increases in national defense are. I had hoped that we would have done slightly better in continuing the level of funding for many of the discretionary programs which will, very bluntly, be hurt by the success of this resolution.

Nevertheless, taken as a whole, the balance of spending reductions and revenue increases included in this resolution is probably better than the balance contained in the resolution passed by this body and by the Congress for fiscal year 1982.

We must recognize the fact, of course, that, with the successful passage of this resolution, we have completed only the first round in this year's budget process. The much more difficult process of keeping the promise represented by this resolution still remains to be done. Every Member of this body surely must know that we are unlikely to have any tremendous impact on the economy or interest rates in the United States unless that promise has been kept by performance.

Too often, the Congress has made promises about performances which have not been kept. We are the inheritors of those who have failed in their promises. Until we have kept them, until we have crossed all the "t's" and dotted all the "i's", we are not likely to see affirmative results.

Nevertheless, a deficit of $104 billion or slightly more, if the estimates are off, is infinitely preferable to a deficit of $180 billion. The deficits projected for 1984 and 1985 have an even wider disparity, to the good side, from those projected. Therefore, in a world in which the perfect is too often the enemy of the good, it is incumbent upon us, as Members of the U.S. Senate, to take the better of the two choices facing us this afternoon, to vote for this budget resolution and to carry out that promise with our performance over the course of the next few weeks and months.

Mr. METZENBAUM. Will the Senator yield?

Mr. HOLLINGS. Mr. President, I yield to the distinguished Senator from Ohio.

Mr. METZENBAUM. Mr. President, I do not intend to respond to the distinguished chairman of the Committee on the Budget, but I think it is important that I correct the RECORD as to this Senator's votes in the past that pertain to budget resolutions.

In 1978, I voted for the first Senate concurrent resolution for fiscal year 1980.

In 1979, I voted for the second concurrent resolution.

In 1980, I voted for the first resolution for fiscal year 1981. In 1980, I also voted for the second resolution.

In 1981, I voted for the first resolution for fiscal year 1982. When Senator HOLLINGS presented a resolution, the second one, for 1981, I did have differences with respect to the COLA limitations and did not vote for that particular resolution. I have not supported the Reagan administration budgets.

I did want the chairman of my committee to be well aware of what the facts are and I know he would not intentionally have misstated the facts.

Mr. DOMENICI. Mr. President, the Senator is correct; I would not have intentionally misstated the facts. So, those are the correct facts. Now I shall state my general assessment; therefore, it cannot be questioned, because it is nothing but mine.

The distinguished Senator from Ohio has a very exciting approach to government. He always has his own approach, but he never has to produce it and have government run under it. So I leave him with this challenge: Since he wants to increase taxes and increase the levels of expenditures that he has talked about today even more than we have, I wish he would produce a budget and show it to everybody here, in the Senate—where he is going to get the money from increased taxes, what programs he is going to increase, and which he is going to cut.

I think it would be an exciting thing for us to know, for everyone to know, just how he is going to do that. We have about 35 minutes left on this amendment, as I understand it after having talked with the leadership on the other side, I am sure that we would all be delighted to hear that proposal before we vote here today, if my good friend from Ohio could do that.

Mr. METZENBAUM. Mr. President, will the Senator from South Carolina yield to me?

Mr. HOLLINGS. Yes, I yield.

Mr. METZENBAUM. Mr. President, I point out to my friend from New Mexico that many, many months ago, I came before the Committee on the Budget. He had his black book of budget cuts and he and Mr. David Stockman obviously had the necessary votes to prevail and were very successful in getting those budget cuts through. At the same time, I offered to share with him a white book. The white book did provide the very answers about which he speaks.

I know that he did not have the time to listen to my remarks today, but I know that had he listened, he would have been able to recognize that I was not talking about tax increases; I was talking about closing tax loopholes. There are $31.5 billion of tax loopholes alone in connection with the oil industry, billions of dollars in other kinds of tax loopholes.

I am happy to say that the distinguished chairman of the Committee on Finance (Mr. DOLE) has been addressing himself to some of these issues. Obviously, he is having difficulty putting together the necessary votes in order to have a majority of his committee because of the effectiveness of some of the business lobbies. But it is possible to balance this budget or at least to move farther in that direction than we have done by just slashing, slashing, slashing.

Even having said that, Mr. President, I do not want the Senator from New Mexico to misunderstand the point of the Senator from Ohio. The Senator from Ohio addressed himself today to the lack of feeling, of humanity, of compassion that has prompted this kind of budget. It is not one single detail. It is a record of the last 17 months in office of this administration.

When I talked this morning about some of the wasteful practices of some of those in the Cabinet at the present time, it was not because I thought or anybody else would think that that would be the way to balance the budget, but merely an indication of where this administration is coming from and what it is all about. Unfortunately, where it is coming from and what it is all about do not serve the purposes of America and the people of America well. I think that is the sad part of this entire budget discussion.

I thank the Senator for yielding.

Mr. DOMENICI. Mr. President, I want, while the Senator is here, to indicate that I am sure the color of the book had a lot to do with the budgets. I think the white book was good for everyone and the black book was bad for everyone.

Mr. METZENBAUM. Maybe we ought to integrate them.

Mr. DOMENICI. Perhaps we should have adopted his white book. When we talk about closing loopholes and not raising taxes, I am reminded that when Mr. Stockman talked about raising revenue, the good Senator from Ohio was very critical because he used some new words. "Revenue enhancement," he said. You know that meant raising taxes.

Very quickly, those who opposed what he was suggesting said, "Why don't you tell the truth? Revenue enhancement is raising taxes."

Mr. President, I stand on what I have said. Whether it is $100 billion or $150 billion or $160 billion that the distinguished Senator from Ohio would like to increase our revenue base by over the next 3 years, it is either a revenue enhancement or tax raising. He can choose and the people who listen to him can choose and decide which it is. It appears to this Senator that, no matter what you call it, the Committee on the Budget has no authority to line-item taxes. So when you put in $40 billion or $50 billion or $30 billion a year in tax increases, you are sending a message to that committee called Finance that they are to raise taxes. There is not any other way to do it.

One can sit around and have a whole sheet of tax loopholes and say only those that I do not like, or that sound good to a lot of people, are the ones I had in mind. But you just cannot change the nature of the issue; it is raising taxes.

I have nothing further, Mr. President. I think we are ready on our side but for Senator CHAFEE, who will be here shortly, to indicate, if my good friend (Mr. HOLLINGS) agrees, that I am prepared to yield back my time until 3 o'clock, which should be time for a vote. If we do that, I understand he, too, will be prepared to yield.

Mr. HOLLINGS. Mr. President, that is what we shall be prepared to do. I have checked with the minority leader and have been checking with the Senators on this side whether anyone has a desire to speak further on this particular amendment. If no one does, along with the Senator from New Mexico, we shall yield back our time and hope to vote at 3 o'clock.

Mr. President, let me respond to the distinguished Senators now that I have a chance.

The Senator from West Virginia (Mr. RANDOLPH) was eloquent in his description of the needs of education. I join with him in commending the distinguished Senator from Vermont (Mr. STAFFORD), the chairman of the Committee on Education. We are very, very much concerned in all of these budgets, not just for the financial deficit, but that we do not end up with an intellectual deficit as well. That is the reason I was hesitating at the time he was addressing me, trying to thumb through and get a copy of an article recently published about the Japanese children. By all the various tests at particular levels, and particularly in the early ages, where there would not be environmental or educational but differences in intelligence, the differences will be due to nutrition and the development at the early stages of birth, they are intellectually more advanced than American children.

If we are going to compete, we are going to have to get intellectually competitive.

With respect to the very scholarly Senator from Washington (Mr. GORTON), I could not help but remember, when we were working on the budget in the early part of the year and we were all coming up with solutions to the problem, the atmosphere at that time. The atmosphere here today has totally changed. In February we were all going to get the ox out of the ditch. Even as late as April we knew how to solve the problem. The distinguished Senator from Washington (Mr. GORTON) was asking for over $195 billion in revenue increases. They were not new taxes. At that time, my own plan called for about $175 billion. Other Senators called for similar increases.

The way we could do that, of course, was to put a tourniquet on the revenue hemorrhage caused by the excessive personal tax cuts of last year. We were thinking in February of canceling or reducing not just next year's tax cut but even this July's cut, to stop the revenue hemorrhage so that the deficits and the interest rates could come down.

So, when the Senator claims that this is an appropriate compromise between both Houses, I must take exception. This is an appropriate compromise within his own ranks, within his own party. His party leader, the distinguished President of the United States, gave us the caveat, and put the limits on what we could do earlier in the year. It was copper-fastened on the Gang of 17. Under no circumstances were they going to get over $95 billion in revenue increases. They edged up just a bit, with user fees, to $98 billion, but the White House cap—as I pointed out yesterday in discussing the invasion of the budget process by the executive branch—rules the day. They put that $100 billion cap on, and all Republicans thereafter stuck with that cap, and that is where they stayed in compromise with themselves. They marched in lockstep when we suggested that we could save $77 billion more by repealing next year's scheduled tax cut.

Is there anyone here worried about a tax cut beginning in July 1983? Absolutely not. They are all worried about survival this summer.

They would vote almost unanimously to forgo that tax cut were it not for the intent of this administration to, come what may, stick to that particular brand of so-called supplyside economics.

The distinguished Senator from Washington said without this particular compromise it would be chaos in the Congress.

That could occur. It is not so bad to have chaos. It is much better that we have chaos in the Congress than economic and social disaster in the land.

I had figured all along I would just see where the parties were, and the various motivations and pressures were, and where the administration would try to cap us. And they did—we could not touch defense, social security, or the tax cut. I thought we would end up with chaos, and then we would come back to our senses. I was ready then to play my card, offer my plan, and get some order out of chaos and a budget that we could live with—a budget, Mr. President, if you please, that we could implement.

I was waiting either for that situations to occur or for the President to come around. I do credit the President of the United States for his sincerity. I thought certainly his was a political plan to squeeze the Congress as much as possible and then give the economy a chance to breathe by giving in on things that would not really matter. We could defer, not cancel, but defer, the third year, pick up $77 billion there. We could freeze some of the increases in defense and save $20 billion. You would still have $10 billion more for defense spending than last year. With those kinds of real savings, you begin to pick up large savings from lower interest costs. You could save a little more by getting rid of the abuses of Safe-Harbor leasing of tax credits, and some of the other things that we wanted to clarify with respect to the accelerated depreciation allowance. Then there would be a recognition by the markets that, "At last, now we are beginning to solve the problem."

That has not occurred. I think that it would have been better to have had either the chaos in Congress to bring us to our senses, on the one hand, or to have had the President loosen up slightly on the reins of this supplyside animal to give it a chance to get off to a trot and maybe a gallop. But right now, as best described by his sidekick, the Secretary of the Treasury, this animal is dead in the water. That is the way it is.

Mr. DOMENICI. What about, what is it, the ox?

Mr. HOLLINGS. The ox is still in the ditch, and there we are. We have gone through a nice exercise, but it is still there.

We had some chances, I say to the Senator, and if he changes his mind and proposes again what he was ready to support in February and March, he would be surprised.

I counseled yesterday when he argued and said he could not get the votes and there was not any reason to meet with us. I had the distinguished Senator from Arizona come over. I had persuaded him. He said, "You are right. I am going to vote for you. I am not going to vote for this conference report." I think the Senator and I could have done a little bit better job maybe of persuading colleagues on both sides of the aisle. But we had the President of the United States and his minions over here lockstepping us all the time. The Senator could not move. I could not move. He got frustrated. We could not move after that.

That is sort of a sad tale, but that is the fact, and we did not get a chance to persuade anybody about anything. We have a political document here that will not stand the light of implementation. The Senator does have the troops. He does not have the votes. It is sort of sad to me that the distinguished chairman has had to explain to all the chairmen and subcommittee chairmen how the budget figures are not the budget figures and will not apply to their particular programs.

The PRESIDING OFFICER. Who yields time?

The Senator from New Mexico.

Mr. DOMENICI. Mr. President, again I want to state that we are prepared to yield our time at 3 o'clock and have a vote on final passage at that point.

Let me just say a few words. Hopefully we are going to approve this budget today. We have had a rather amazing turn of events over the past 15, 16 months. When we first started attempting to use the budget resolutions as instruments for some real significant change in policy, there was kind of a hue and cry, "Let's not mandate anything." I was sort of amazed yesterday, just by way of general observation, that some Senators now look at targets that we used to regard as the only means of implementing and saying, "Since you have not ordered any reconciliation, we sure cannot get there."

Just a short while ago, nobody wanted anything but targets and just said that Congress, in its wisdom, will somehow get its job done. Well, we have accommodated the view that instructions are necessary. The Finance Committee has been instructed to make changes in law that will cause savings in programs such as medicare and medicaid and AFDC, and tax code changes that will increase revenues.

Other committees have been instructed. For the most part, these instructions have to do with saving money in entitlement programs including holding certain cost-of-living adjustments (COLA's) to a 4-percent increase. It is the first time we have assumed COLA cuts and instructed committees through reconciliation to report legislation saving the dollars involved.

This is not to say that it is as much as we wanted to do through the reconciliation process. We have narrowed the COLA assumptions down to retired Federal employees, military retirees, and a few other smaller groups.

The distinguished Senator from South Carolina is correct. It will be difficult to implement. But I hope that instead of gazing up and saying if we had more to reconcile and if we could make bigger savings and bigger tax increases, we might get the job done, the committees will assume that this is enough of a challenge this year and will show the American people they can at least do this much. I hope they do.

There are those who say that the numbers are not accurate, that we have changed some estimates.

I say to the Senate, and for the RECORD, that if the committees of the Senate and Congress do what they have been asked and/or told to do, we will have no apology to make when we round up the numbers. They will be pretty close to what we have.

However, I can guarantee the Senate that without committees of this body and the other body doing what is either directed or obviously implied, the number will indeed be off; and they will not be off because we estimated wrong. They will be off because we do not have the courage, the fortitude, or the strength to do what we are asking ourselves to do, and in some instances ordering ourselves to do, when we vote for this resolution.

Likewise, the House, by majority vote, slim as that might be, ordered itself to do some things. I would be remiss if I did not say here today that I am not as concerned about the authenticity of the estimates as I am about the authenticity of the intentions of leaders in the other body. Do they intend to ignore or abandon the responsibility that this resolution imposes on them? I hope not.

I can say honestly that the cuts are not that severe. The tax increases are not that tough. Yet I think there will be a good response in the marketplaces of America if we do it.

So, to those who are saying that it has been voted in but we wash our hands of it, I can say, as one Senator who worked for all these months to get it done, that their refusal to do what they have voted on themselves will not go unnoticed. Those who want to sit by and say, "It passed, but let somebody else implement it," will not get by without the American people knowing who is responsible for not doing it.

I am not the least bit reluctant to acknowledge that I do not have the same responsibilities as the President of the United States. In fact, I tell the story to many of my friends about my little daughter, who once told me, when I was sort of ordering her around, "Daddy, you is no king. You is just a Senator."

Well, that is all I am. But I can say that as a Senator and as chairman of this committee, I could propose a much better budget—at least, I think so—and I could run around and tell everybody it is the greatest and it would cure everything. The problem is that it would not pass.

I understand the President supports basically what we are getting through up here. There would be some items in my budget that he would not like, just as there are some items in this one that I do not like and I am sure some the President does not like.

However, as to the budget we have before us, I suggest that even if we are slightly off in our estimating, this budget will bring the deficit down, and with social security reform, which is inevitable, the deficits will be even less than we now show.

The deficits in this budget are down substantially—down from $182 billion if we do nothing this year to less than $104 billion. This budget will get us to $84 billion in 1984 and $60 billion the following year. And none of these numbers includes social security solvency reform.

I do not think the American people, I do not think the opinion makers of this country, are going to excuse nonperformance by anyone in a position of leadership who says, "We did not get what we want, so we are not going to carry out this one."

The American economy, the people unemployed who are waiting for the economy to come back, the business people who want to grow again and invest again, the industries in the United States waiting for interest rates to come down so that people can purchase again and invest again in productive things, are not going to take that kind of excuse. They expect us to perform.

Mr. HOLLINGS. Mr. President, may I use a minute, while we wait for Senator CHAFEE?

Mr. DOMENICI. I yield the floor. On my side, I wish Senators to understand that we have about 10 or 12 minutes, and it is our intention, Senator HOLLINGS and I, with the support of the leadership, to vote in about 10 minutes.

Mr. HOLLINGS. Mr. President, I think the Senator has made the plea and used the word "responsibility," and has said people will be watching us to carry out what has been agreed to. I have to take exception to that.

Archibald MacLeish said, "Truth is not truth until it is felt." A hundred will die on the streets of Calcutta today. Unfortunately, while that is a fact, we do not feel it in that sense. It is not a truth to us. In contrast, yesterday a little child fell down a well, and we are all looking at the news and turning on the TV to find out whether the little child will be rescued from the bottom of the well. That is a truth.

With respect to the budget figures, having spent the major part of the day explaining that they are flexible, that they are not true, that we know there was too much of a squeeze, that there will be overruns, for us to be interrupted in the middle of this debate and have from the other body a supplemental—now, come. Where is the responsibility? We do not carry out the budget. We enact supplementals; none of the figures is adhered to. We are in the middle of supplementing what we had as a responsibility, as the Senator sees it.

His description almost mimics the approach of the administration that the only way are spending cuts. Let me point out again that when I first recommended a freeze, it was a freeze at current policy. I had no cuts in mind below current policy. The reason we did not is that we had heard from the distinguished Senator from Vermont. He was not going to cut any more in education. Senator DOLE said $1.2 billion was all that he could save in the food stamp program. The Republican chairmen of the Subcommittees on Appropriations, when forwarding their requests to the Budget Committee earlier this year, rather than asking for cuts asked for increases—$18 billion more than the President wanted. Stumbling, bumbling, fumbling along we were ready to get toward a balanced budget and I certainly thought it would have been under President Reagan. That is the disillusionment. We are talking about responsibility for a $104 billion deficit, and the distinguished chairman implies that since the other body has now adopted a budget by a two-vote margin and this body by a four- or five-vote margin, that we have established our responsibility to work for it. We do not believe that. The news media do not believe that. The people do not believe that. No one believes that.

We do not believe it ourselves. We have been explaining it away.

Therein is the point I have been trying to make. When you try to establish a discipline and get a bipartisan solution, it is tough, it is very tough. When you have $365 billion to save, over the 3-year period, it would be difficult enough for a unanimous body to implement. But when the body politic has not worked its will, and when approval is that close, and the budget has so many exceptions, and its supporters promise so much flexibility, and make so many explanations, you just cannot talk about responsibility. I say to the distinguished chairman, it really makes me doubtful of the credibility of the Congress. No one really believes there is responsibility now, and that is the problem.

Now, it would be a happy day if the President could keep his troops in lockstep to vote for those tax increases. We certainly should not expect the Senators who took the rap on social security and tried to defer this year's tax cut and everything else to all of a sudden come up with the grocery list of new taxes. We are not going to vote for those. The President took over this budget system, he took over the maneuvers, he took over the compromise, and he now has his budget. He got his entire program last year, over this Senator's objection. I did not object to the spending cuts. The Senator from New Mexico and I cosponsored those. But with the enactment of the revenue hemorrhage, he got his so-called Reaganomics, he got his indexing and everything else. And now he has his program 2 years in a row; at 3 o'clock he will have it.

I hope then that he will continue to send Stockman over and tell us the way he has been telling us how we are being responsible. I want that fellow Stockman to continue to describe in Congress how it is working out and we have not changed course and we are all responsible when even JACK KEMP has offloaded from this nonsense, I can tell you that right now. Is not that an irony? You have Kemp-Roth now in the law, but KEMP is gone. He is not around, I can tell you that.

And let us talk to the President and send him a note. I will join in the letter and say:

Mr. President, please hold the foot to the fire that you have been holding for the last 3 months around here where we could not touch revenues, could not touch defense, could not touch social security and say, "If it ain't broke, don't fix it.

The PRESIDING OFFICER. Who yields time?

The Senator from Rhode Island is recognized.

Mr. CHAFEE. Mr. President, I wish to address several questions to the distinguished chairman of the Budget Committee (Senator DOMENICI) relating to the conference compromise budget resolution. In particular, I would like to inquire about programs which have been of special interest to me. These programs relate to education, health, especially medicare and medicaid, and maternal and child health and immunization programs; and low income energy assistance and weatherization programs.

With regard to education, the Senate budget resolution made no cuts in the guaranteed student loan program, and provided that other education programs would continue essentially at the levels of budget authority provided for fiscal year 1982.

Am I correct in that?

Mr. DOMENICI. The Senator is correct.

Mr. CHAFEE. Now I have two specific questions.

First, the conference report apparently assumes cuts in the guaranteed student loan program, I believe by the amount of $31 million. Yet it is my understanding that there is no reconciliation instruction in the conference report that would require that these cuts be made. Is it possible for the chairman to clarify that situation?

Mr. DOMENICI. I think I have already in the RECORD clarified it, but I will be pleased to do it again. The Senator's understanding is correct. The resolution assumes a very modest savings, and it is nothing more than an assumption in the guaranteed student loan program but the authorizing committee is not instructed to produce the savings. I can tell the Senator that for the year 1983 I personally thought it was not the right thing to do to instruct the committee because the instruction would be so small, that there was not any assurance where the savings would be made.

So it appeared to me and I took the lead in arguing that we should assume some modest savings and leave it up to the committee to either make reforms or for the Appropriations Committee to make the savings.

Mr. CHAFEE. I thank the Senator.

Second, it is my understanding that funds for other education programs, title I of the Elementary and Secondary Education Program Act, the Pell grant program, Education of All Handicapped Children Act, the State block grant, and the vocational and adult education programs, have been increased in the conference report by nearly $300 million. Is that correct?

Mr. DOMENICI. The Senator is correct.

Mr. CHAFEE. Yet I note on page 23 of the conference report the level of outlays in function 500, that is the education, training, and social services, is cut by about $800 million from the level of the Senate resolution. I would appreciate it if the chairman could explain how we can retain and even increase funding levels for these education programs, yet experience an outlay cut $800 million for the coming fiscal year?

Mr. DOMENICI. I am pleased to answer that. We arrived at the broad functional totals and to the best of our ability we matched programs and outlays. Then the entire budget amount is cross walked to the Appropriations Committee. It is up to the Appropriations Committee to then determine the appropriate fix of programs and outlays. We deal in the broad totals. They deal in the specifics of individual programs.

I remind my good friend from Rhode Island that the education programs are forward funded, meaning that increases in fiscal year 1983 budget authority result largely in increases in fiscal year 1984 outlays for these programs. Our resolution reflects this. There is nothing we can do other than to assume that is the way it will go because that is what increased budget authority in that function fits best with.

Mr. CHAFEE. Is there something about the savings that are going to come from CETA in that function 500?

Mr. DOMENICI. I do not have an answer for that.

Mr. CHAFEE. All right. With regard to the health programs, as the chairman recalls when we debated this budget resolution on the floor, I offered amendments that increased the outlays over the next 3 fiscal years for the immunization program and for the maternal and child health programs, and the chairman of the committee was gracious enough to accept those on behalf of the committee.

Mr. DOMENICI. That is correct.

Mr. CHAFEE. Now, referring back to that same table on page 23 under function 550, health, the outlays provided in the conference report are increased by about $165 million above the level of the Senate resolution.

It is my understanding that this increase represents increased outlays as a result of entitlements, but that discretionary health programs would suffer a decrease by perhaps $100 million. I would appreciate the chairman's comment. I wish to do everything possible, as the chairman knows, to retain the levels of funding in the Senate resolution for these programs that I believe to be of great importance. Was there a discussion in the committee of conference on how this $100 million cut will be made if, in fact, it is necessary?

Mr. DOMENICI. Let me say to the Senator that I share his concern on the funding level for maternal and child health care block grants and the child immunization program. As he knows, the resolution allocates enough appropriations for domestic discretionary programs to fund them at least at the 1982 level. In fact, as I said in my opening statement yesterday, the conference agreement for domestic discretionary programs is actually $400 million in 1983 outlays higher than a strict freeze would permit.

Some existing programs will be stopped and others will receive reduced funding. The funds available due to such decisions could also be used to fund programs such as the two I have just described, the maternal and child health block grants and the childhood immunization program.

But I know the Senator understands that I could not promise him that the programs will be funded at the levels that he proposes. That is going to be up to the appropriators. I think we will all work together to see if it can be done.

Mr. CHAFEE. Mr. President, the next subject is with regard to medicare and medicaid. I must say that I was very disappointed with the result of the conference. When I voted for the Senate resolution, which provided for combined cuts in these two programs of $4.7 billion, there was an exception, and I might say, and I know the chairman recalls, a very strong expectation in the Senate that the House would pass a level of cuts in these two programs much less than that provided in the Senate resolution. This expectation was much discussed on the Senate floor, and I engaged in a colloquy with the distinguished chairman of the Finance Committee, the senior Senator from Kansas, in this regard.

As that colloquy indicated, there was an exception that House cuts would be in the area of $2 billion, and there was thus the expectation that a House-Senate compromise would be in the area of $3.5 billion. I expressed the view at that time that even that level of cuts would be very hard to achieve without affecting beneficiaries adversely. The conference report provides for combined medicare/medicaid cuts of $3.8 billion with an additional $510 million expected to be obtained by administrative savings within the power of the administration to achieve without legislation. This is a very high figure, it seems to me. I wish to serve notice that, as a member of the Finance Committee, I am going to be very diligent, very watchful about the nature of the cuts we make and make every effort to protect the beneficiaries.

Finally, with regard to the low-income energy assistance and weatherization programs, I would appreciate the chairman's guidance about the effects of the conference report on these two programs; namely, the low-income energy assistance and weatherization programs.

Mr. DOMENICI. Mr. President, our assumption is that these programs would be held at the fiscal year 1982 budget authority levels.

Mr. CHAFEE. Mr. President, I thank the distinguished chairman of the Budget Committee for his answers to the questions I have posed.

Mr. DOMENICI. Mr. President, let me say that I am most appreciative of the Senator's help and cooperation. I am aware of his genuine interest, particularly in the area of medicare and medicaid, as he has expressed here today. His cooperation in helping us get through this very difficult time is appreciated. Wherever I can be of assistance I will do so. I thank the Senator very much.

Mr. CHAFEE. I thank the Senator.

Mr. CRANSTON. Mr. President, when Reagan's budget was originally proposed it was rejected by everyone in Congress. Yet this so-called compromise between Senate Republicans and House conservatives preserves many of its worst features.

It is unfair, extravagant, and fiscally irresponsible, and will not alleviate the human suffering and economic loss from rising unemployment, high interest rates, and triple-digit deficits.

It is unfair because it preserves all of the Kemp-Roth-Reagan tax giveaways to the wealthy, while continuing to grind away at basic Federal services to middle-income and needy people.

It is extravagant because it increases spending on the military budget by more than we can afford or really need.

It is fiscally irresponsible because it can doom us to $100 billion deficits for the rest of Reagan's term.

I do not support it.

Mr. HOLLINGS. Mr. President, after looking over the budget the President released in February, I assumed things could not get much worse. While I was prepared to roll up my sleeves and help create a more sensible budget, I still believed that the administration would come up with something better on its own.

After looking over the conference report before the Senate, I now realize you should never underestimate the ability of OMB to make a sow's purse out of a sow's ear.

If anything, this budget is worse than the first one and the economy is in worse shape than February. Interest rates have not come down, still hovering at 16.5 percent. Bankruptcies are at record highs. Unemployment is nearing record levels. Yet none of this has shaken the White House belief in their economic program.

Their economic program is just as shakey as the budget now before us, a budget with as much face-saving as real saving. This resolution will cost the congressional budget process. And that is a true irony because it is not a product of that statutory process. The resolution, like all of this year's Republican budget predecessors, is largely the work of the sorcerer's apprentice, David Stockman.

Whatever this resolution costs the budget process, it will exact a price from Congress, as well. Congress was too timid; not too timid to see the President's Fedruary budget was unrealistic; but just timid enough to avoid making the basic decisions that would have given us a budget we could believe in.

We could have done it. It would not have taken the courage of a gladiator. The gumption of a bold legislator would have been enough. But there was not enough of that to go around.

Even so, this is not a congressional budget. It is a budget turned on a supply-side lathe. It is—from the start and at the finish—a budget of the Laffers, by the Stockmans, for the Reagans.

Do not doubt for an instant that the President was deeply involved in this budget. Beneath his mask of detachment, the President was like the smiling woodchopper who throws a skunk in the bunkhouse then whistles past the window saying it sure smells in there. While Republican Members of Congress came flying out the window after every new budget skunk, the Democrats were left inside to be accused of causing the disruption.

If the President was not always involved in a person-to-person way, his presence was made known at every turn by his Budget Director, David Stockman. You would think Mr. Stockman would have been a little penitent after the way things fell apart for him last year. In 1981, he managed to convert a Presidential pledge to balance the budget into a Presidential admission that, for the sake of supply-side economics, huge deficits were at least tolerable.

And you would think Mr. Stockman would have learned something from his celebrated confessions in the Atlantic Monthly that he did not add up all the numbers of last year's budget.

But I am afraid neither last summer's phantom budget, nor last autumn's Atlantic interview have rehabilitated David Stockman. If he learned anything at all last year, it was how to practice self-hypnosis. As this year's budget numbers grew worse, the Budget Director grew better at defending them. And David Stockman was defending them as fast as he could create them.

The President's February budget was the work of David Stockman.

During the 13 private talks between White House aides and Members of Congress on the budget, White House Chief of Staff James Baker got the ink, but David Stockman dealt the cards.

On the evening of May 5, while the Senate Budget Committee worked to mark up a budget resolution, Chairman DOMENICI announced that the President would support a new compromise the chairman had just announced. That compromise was the work of David Stockman who had met early in the afternoon to work it out with the Senate Republican leadership.

By the time the Stockman budget reached the Senate floor, it was already dead. Public opinion killed it. Yet, while the leadership held the Senate in day-long recess, Stockman lieutenants counseled with the Republican leadership to produce still another Stockman budget.

What the Budget Director did in the Senate, he did in the House, as well. In mid-May, it was David Stockman who spent 2 days in private meetings pushing for a compromise budget. And after the House of Representatives defeated all the budget options, it was David Stockman who fashioned the Latta budget finally approved by the House.

The budget resolution before the Senate right now rests on David Stockman numbers, and hidden beneath those numbers are extra Stockman deficits.

This budget will have hard consequences for the economy, just as the process used to create the budget will have a bad effect on the congressional budget process.

Since Ronald Reagan came to office, the congressional budget process has been treated like a vacation home. The Republican leadership has shown up from time to time, but they never lived within the process. Every major decision was made outside it—in private meetings—in private rooms—then handed back as a fait accompli.

After the Senate Budget Committee reported a budget resolution in May, I called it nothing but a truce among Republicans that the committee was asked to ratify. That is really all it was. Yet, the President tells the public the process was a "Mickey Mouse operation."

Looking back on it, the President was right. But it was an operation created at Disneyland East, the one at 1600 Pennsylvania Avenue. Former Treasury Secretary William Simon had a piece in this morning's Washington Post in which he called the budget a sham. He was half right. I agree the numbers are illusions. But Mr. Simon thinks it the fault of the congressional budget process. The only trouble with the congressional process is that the White House invaded and ransacked it. They worked from the book called "Stockman's Rules of Order." It ruled out of order any tourniquets on the revenue hemorrhage, any cuts in defense, any controls on controllables, anything that included Democrats, or differences with supply-side thinking.

Had the White House allowed the formal budget process to work its will, we would have a very different, more realistic budget than the one we have right now.

So there are two important facts about this budget we should all keep in mind. First it is a sham document based on numbers calculated to the best advantage of supply-side dogma.

Second, with the economy in terrible shape, this budget does not fairly distribute the sacrifice needed for recovery. It is a budget that divides the very poor from the very wealthy by multiplying the distance between them.

In the face of terrible economic problems, what we needed most this year was a budget built on a serious concern over what was happening to the country. Washington needed to listen and boldly respond to what the American people were saying about the problems in the economy.

Unfortunately, the legion of dissenting voices were muffled by the louder shouts of supply-side advocates, and their chants about the evils of deviation from supply-side thinking.

So, what we have is not a credit to open government as much as it is a testament to the closed loop of Kemp-Roth taxes and Laffer curves.

The administration's only positive claim so far about the effect of its economic program has been the drop in inflation. But the question remains, is the lower inflation a durable product of the Reagan program, or a reaction to the Reagan recession? Moreover, of what benefit to many of the most important sectors of the economy is a lower inflation rate of real interest rates are at historic high levels?

The consumer price index increased by 1 percent in May, an annual rate of over 12 percent—an inflation rate back in double digits. During the first 4 months of this year prices had increased by only 0.4 percent, or an average of 0.1 percent per month. Much of the slowdown in inflation early in 1982 was the result of good luck in food prices as food supplies were plentiful; recession and a worldwide oil glut reduced the price of energy products; and continued high-interest rates and a recession in the construction industry that stopped the rise in house prices.

These effects were necessarily temporary and substantially overstated the progress achieved in reducing inflation. Unless the administration was proposing a permanent recession, the low inflation rates in early 1982 could not be maintained.

The administration does not have a program to lower inflation except through considerable economic pain. Just look at the rates of real interest we have now compared to historic trends. In 1980, real interest rates were minus 2 percent. In May of this year the real interest rate was plus 5.7 percent. The lower inflation may be good for the economy but that does not mean much to the housing industry, manufacturerers of durable goods, industries which borrow to make capital investments needed to improve productivity, and other interest-sensitive sectors of the economy who are living—and dying—with the highest real rates of interest in the Nation's history. This country needs a program to increase productivity growth and a long-term reduction in inflation. And that requires a meaningful budget.

Reviewing the history of this year's budget process, there are enough doubtful economics to suggest that the "last Laffer" may yet take the form of a plague on both Houses of Congress. There are serious problems with this budget, just as there were serious problems with the Republican budgets that preceded them. We need to take a close look at those problems beginning with the President's February budget.

REAGAN-STOCKMAN FEBRUARY BUDGET

By any measure, the President's February budget was a disaster. Senator LAXALT called the projected deficits, numbing. Senator ARMSTRONG, a Republican member of the Senate Budget Committee conceded, "We can not live with deficits of the magnitude of those projected in the President's budget." Allen Sinai of Data Resources, Inc., cautioned, "We're walking the brink and it is very worrisome. One thing is for sure. Without adjustments now in the current thrust of policies, the U.S. economy runs the risk of a major collapse, unprecedented in the post war period."

As bad as the budget looked on the surface, it was even worse when analyzed:

The Reagan-Stockman budget relied on unrealistic economic assumptions. Even the Gang of 17, with is relatively optimistic assumptions—based primarily on CBO economics—was more realistic about the likely economic outlook:

REAL GNP

[In percent]

	1982	1983	1984	1985
Reagan	0.2	5.2	5.0	4.7
Gang of 17	–.9	4.5	4.1	3.7

REAL GNP

CPI

[In percent]

	1982	1983	1984	1985
Reagan	7.3	6.0	4.6	4.8
Gang of 17	6.9	6.9	6.9	6.4

INTEREST RATES—3-MONTH T-BILLS

[In percent]

	1982	1983	1984	1985
Reagan	11.7	10.5	9.5	8.5
Gang of 17	12.4	13.2	11.3	9.4

Using these unrealistic economic assumptions, the administration artificially lowered its spending estimates by $105 billion over fiscal years 1983 to 1985.

The budget also assumed lower spending for many other programs based on technical factors. CBO calculated that the administration underpriced its spending by $77 billion over fiscal years 1982 to 1985 for these technical reasons.

The budget assumed $54 billion in receipts from OCS leasing fiscal years 1983 to 1985, over $13 billion more than estimated by CBO.

Interest costs were underestimated this time by $50 billion over the 3-year period.

Defense spending was artificially low. CBO calculated the time level of spending would be $8.9 billion higher over fiscal years 1982 to 1985 than the administration stated.

Farm price support payments were underpriced by nearly $16 billion over the fiscal years 1982 to 1985 period.

In addition, the Reagan budget made a series of spending cuts which had no possibility of enactment or could be classified as creative accounting.

The budget assumed $9.8 billion in new user fees—fiscal years 1983 to 1985—which are extremely unlikely to be enacted.

Reagan proposed cutting education programs and student assistance by almost half compared to fiscal year 1981, food stamps by $7 billion over 3 years—on top of the $2 billion in cuts made last year—and child nutrition programs by $1.5 billion over 3 years.

The budget assumed cuts in Amtrak, mass transit, and Coast Guard capital improvement programs despite widespread support for these activities.

Reagan proposed cuts of $5 billion in medicare and medicaid in fiscal year 1983 and in the aid to families with dependent children by $1.2 billion next year.

A total savings of $16 billion over 3 years was attributed to creative accounting in the sale of Federal land—$9 billion—unspecified debt collection—$4 billion—and reduction in waste fraud, and abuse—$3 billion.

Worst of all, the Reagan budget did not put us on a glide path to a balanced budget, but rather insured that we would have $130 billion deficits in each of the next 3 years.

STOCKMAN'S SENATE BUDGET

The budget assumed the full $16 billion administration savings from sale of Federal land, reduction in waste, fraud and abuse, and unspecified debt collection despite no clear or convincing plan on how they will be achieved.

It succeeded in producing a fiscal year 1985 deficit of $67.2 billion, an inappropriately large deficit and a far cry from the balanced budget some of us started to write only a few months ago.

The budget assumed $108 billion in increased taxes yet left the third year of the personal tax cut off-limits, thereby making it extremely improbable that the full amount of the increased revenue will even be realized.

The budget does not make fair cuts where they are needed—in the automatic cost-of-living adjustments and in the defense budget. It singles out Government employees, past and present, and veterans for COLA reductions and gives the Defense Department 7 percent growth.

LATTA-STOCKMAN BUDGET

In addition to the policies embodied in the House-passed budget, it was frought with technical errors and clerical mistakes.

The budget understated the deficits by $28.3 billion over 3 years because it underestimated defense spending—$5.5 billion—overestimated receipts from OCS leasing—$10.2 billion—and understated interest costs—$7.1 billion. It also made over a dozen other technical errors which, together, understated spending by $5.2 billion over 3 years.

In fiscal year 1982 alone, the budget underestimated outlays by $14.6 billion by rejecting CBO estimates of spending for defense, farm price support payments, medicare, social security, OCS leasing, and interest on the public debt.

The budget assumed cuts that were practically or politically unattainable:

Space and science programs were funded at levels that would have required a 25 to 30 percent cut in the number of space shuttle flights over the next 3 years, many of which are related to national security.

The budget assumed $7.5 billion in user fees from such sources as inland waterways and deep water ports, nuclear waste disposal, recreation and boating.

The dairy price support program was assumed to be cut by $1.7 billion over 3 years yet no mention was made of how this could be accomplished.

The budget assumed the administration's estimate of savings from unspecified debt collection and reduction of waste, fraud, and abuse. It went further than the administration by assuming $0.3 billion from sale of Federal land on top of the $9 billion in the Reagan budget.

The budget assumed $2.4 billion in savings from foreign aid over 3 years, again without any indication of where these cuts could be made.

The Federal subsidies for the Postal Service were eliminated—$2.7 billion—and employment and training programs were cut substantially—$1.6 billion—funding for the guaranteed student loan program was reduced—$1.2 billion—and law enforcement activities would have been cut—$1 billion.

STOCKMAN CONFERENCE AGREEMENT

The conference agreement suffers from the worst of both House and Senate budgets. It ignores reality, misdirects limited resources, and sweeps the rest of the problem under the rug.

The conference agreement budget understates the true size of the deficit. Even if all the policy assumptions in the resolution become law—which is highly improbable—the deficits, as estimated by CBO, would be $113.8 billion in fiscal year 1982, $116.4 in fiscal year 1983, $104.6 in fiscal year 1984, and $92.7 billion in fiscal year 1985.

According to the CBO, the budget overstates revenues, even with the $98 billion in assumed tax increases, by

$39 billion in fiscal year 1982 to 1985 and understates outlays by $35 billion over the same period.

CBO estimates of spending are rejected, leading to artifically lower spending in areas such as defense—$8.9 billion—OCS receipts—$11.4 billion—civil service retirement—$1.3 billion—social security—$0.4 billion—unemployment insurance—$0.6 billion—and interest costs—$11.9 billion.

In addition to underpricing the defense budget, the conference agreement assumes unrealistically low inflation in defense procurement and it ignores the historical cost growth of weapons programs due to design changes.

The defense budget assumes 50 percent absorption of the DOD pay raise, an historically unprecedented level. The 10-year average absorption is about 20 percent and in fiscal year 1982, no absorption was required.

The combination of high absorption and unrealistic outlay estimates could lead to cuts in defense readiness next year of over $3 billion more than contained in the conference report. Underestimates of defense spending nearly always made up for by cutting readiness programs.

The conference agreement assumes more savings in entitlement programs than it requires to be saved through reconciliation. In fiscal year 1983, for instance, the budget assumes cuts in medicare of $3.6 billion yet the Finance Committee is directed to save only $3.16 billion. Similarly, the budget assumes cuts in food stamps of $949 million yet requires the Agriculture Committee to save only $779 million. Further, guaranteed student loans are assumed to be cut yet there is no reconciliation directive to the Labor and Human Resources Committee at all. This lack of enforceability is a critical flaw in this budget resolution.

The budget assumes $7.5 billion in user fees similar to those in the House-passed budget. Many committees rejected similar user fees last year and these user fees are not reconciled to any committee, thereby further decreasing the likelihood that any will become law.

The budget assumes large unspecified reductions in programs ranging from foreign aid to general government. As was demonstrated last year, unspecified savings have an uncanny ability to disappear at the last moment.

Despite all its faults, House Republican Leader ROBERT MICHEL has said of this conference report, "With all the blood, sweat, and tears that went into this thing, I think we can sell some people on swallowing hard and voting for it in sufficient numbers."

Maybe so. But he will not be able to sell the Nation on the insufficient numbers the budget itself contains. This budget is a squandered opportunity. It wastes the chance to make some honest corrections in the economy. It is not tough enough. We had a chance to do better.

Just 2 days after the President released his February budget, I offered a substitute. My plan was tough and credible. But it was also fair and reasonable, a plan Federal Reserve Chairman Paul Volcker said, "would have a galvanizing effect on the markets." The plan contained three central features.

First, it would have moderately reduced the growth in defense spending without jeopardizing readiness. The fact is no matter how much we might be willing to spend, we can only buy so much in a given year. As evidence of that, I would point to the $33.8 billion in unobligated balance for defense at the end of fiscal 1982. That figure would have grown to $43.1 billion under the President's February defense budget for fiscal 1983.

Second, my plan would have put a 1-year freeze on the automatic cost-of-living adjustment (COLA) on social security and several other entitlement programs. The social security COLA freeze would have been a temporary, specific suspension of benefit increases—not a cut in benefit. And it would have produced results, strengthening the trust funds without inflicting hardship on beneficiaries.

It is important to remember that the automatic cost-of-living increase was not even put into operation until 1975. We did not increase social security in the Great Society when Lyndon Johnson provided the last balanced budget in 1968-69.

The temporary freeze would have not been a penalty directed at anyone. Rather, it would have been a realistic way of preventing inflation-driven annual increases from threatening the welfare of either the beneficiaries or the system itself.

Third, my plan would have canceled the third installment of the Kemp-Roth tax cut. It was not a step to increase taxes, but rather would have simply let stand the two tax cuts already provided under last year's tax legislation. But that feature of my plan met intractable opposition from the White House.

I argued—and continue to maintain—that whatever modest gain taxpayers might derive from a slightly smaller tax bill, they will lose still more to deficit-driven high-interest rates on anything they buy on credit. If there is any doubt about the relative trade-off between a tax cut and high interest rates, consider this example.

A one-earner married couple with two dependents and an income of $20,000 will receive $371 in calendar 1983 as a result of the tax cut. Let us say that same family has a mortgage at 17 percent. If that mortgage rate declined to 14 percent—a rate estimated by a Salomon Bros. economist as the level necessary to trigger a recovery in the housing industry—that family would save $1,685 annually on a $60,000 mortgage.

This is, of course, only an illustration. But there is a sizable difference between the $371 the family will get because the President has stubbornly insisted on his tax plan, and the $1,685 the family will not get because the President has stubbornly insisted on his tax plan.

If we had cut the deficit by eliminating the third year of the tax cut, people could have profited more from lower interest rates than from the tax cut itself.

The President would argue, as he has so many times before, that the tax cut will lead to greater personal savings upon which business will be able to draw for investment in job-producing expansion.

Will it?

The evidence suggests that families do not tend to save personal tax reductions which occur because of lower tax rates. In 1981, the personal savings rate was 5.3 percent. In the first quarter of 1982, the rate is 5.5 percent, not a statistically significant change.

Moreover, Murray Weidenbaum, the Chairman of the President's Council of Economic Advisers is telling us we will need a high level of consumer savings to sustain a recovery, while the chief economist of the Commerce Department is saying "a lot of people in the administration might hope that all of the tax cut will be spent."

Supply-side economics has become a theoretical rubberband, with pursists arguing that everyone will save their tax cuts to save the economy, while another group of supply-siders says they hope everyone will spend their tax cut to save the reputation of supply-side economics. Supply-siders have their fingers crossed that the rubberband will not snap until November 3.

With all the serious supply-side problems, people were still reluctant to buck the President. So Congress would not go along with my plan. In fact, some people in my own party told me to keep still, and not make waves. Yet, the fact is my plan would have brought us a balanced budget by 1985 because it made cuts where the big outlays were. People did not want to hear that because they worried about the political risks involved. Well, I remember Harry Truman saying once that, "I never give them hell. I just tell the truth and they think it's hell."

The basic truth of the Hollings plan was that it would have put our feet to the fire. No doubt about it. But that is why we are here, to make the hard choices for the benefit of the overall picture. I see no reason why we could not have taken the steps already taken by many States, cities, and private organizations.

In the face of rough economic weather, Oregon called a special session of its legislature to cut its budget and raise taxes to head off its projected State deficit. Among the steps they took was to save $34 million in revenues by postponing for 6 months the planned lowering of State income tax withholding rates.

Other States have also acted. Wisconsin has raised taxes. A recent Tax Foundation estimate shows that 18 States have increased their taxes by a total of $4 billion. Michigan, Minnesota, Nebraska, Vermont, and Washington have all raised State income taxes.

The upshot of these changes is that while State governments understand that increases are unpopular, they have shown the vision and discipline necessary to see their States through the economic downturn.

Cities have taken similar steps. In January the Joint Economic Committee of the Congress sampled 50 large cities to examine what actions they had taken to balance their budgets. The survey found that 40 percent of the responding cities had increased their tax rates. Only four of the cities had reduced taxes. When the U.S. Conference of Mayors polled 100 cities early last November they found that 41 percent of the cities they contacted had raised taxes.

What the cities and States are doing at the public level, both business and labor have been doing in the private sector. Businesses have increased management savings. Labor has joined in with givebacks. In January of 1981, General Tire and the United Rubber Workers worked out a wage cut package. In October of 1981, International Paper and the International Woodworkers of America agreed to a 20-percent wage cut to avert a plant closing. This year, Ford and the UAW negotiated a pact dealing with wage increases and cost-of-living adjustments.

None of these steps, public or private, have been easy to take. But all share a common characteristic. They illustrate what happens when concerned groups clearly identify a problem and do what needs to be done to correct it.

Washington has been unable to do those things this year largely because the White House was not a willing partner. This budget was played out from a White House game plan under White House rules.

What we have in this conference report is a budget that is not believable, and a congressional budget process heaped with ridicule. We already know what the President thinks of the process. His top counselor, Ed Meese, has even suggested that the President be given a line-item veto. I do not know why. The White House with its deferral and rescission powers and buttoned-down budget procedures already dominate the budget to an imperial exent.

So it is a White House budget, and you would expect the administration would be dripping confidence. But, Ed Meese told reporters in May that the White House might have to look at alternative measures if the program did not work out. He want on to say, however, "It is better not to discuss" those alternatives.

Next, we have Treasury Secretary Regan telling the Washington Post that, for the last 3 months, he has been putting together other plans because, in his words, "* * * you cannot wait until someone says, you know, we are in a crisis, let us change. And you say, to what?"

Along comes House Minority Leader BOB MICHEL putting a big distance between himself and the budget. "I think it has been overemphasized as to how much we, in what we are doing here on the budget thing, influence the money markets."

But, it was left to other guiding forces behind this budget, the White House political director, Edward Rollins, and Republican national chairman, Richard Richards, to have the final word on the budget's authenticity. They have told their party leaders not to expect an economic upturn, and to go ahead and shift the blame for the recession to the Democrats.

The economy has been choking on the supply-side menu while the White House has decided to let it cough a little more in the hope that everything will come out alright. It makes you think the White House is more concerned about their restaurant than about the patrons.

Amid all the doubts this budget and the process that created it, we are hearing again about a constitutional amendment to balance the budget. Such an amendment might work, and I am willing to give it a chance. But, it is no guarantee the budget will be balanced. Furthermore, the problem is here and now—not 2 or 3, or 6 years from now.

If the public wants a constitutional amendment to balance the budget, it is fine with me. My point is that no new layer of arcane procedures will improve the situation. We already have procedures enough. If we will use them, if the White House will honor them, we will have just as good a chance of balancing the budget as we would with an amendment. But, that decision will be made in a few days. The decision we must make now is on this conference report.

I am afraid that choice has already been made. It was made the day the White House took over the budget process, and the pollsters took over politics. We got ourselves trapped between the Reagan rule and the pollsters rule. The Reagan rule says, "No way, but our way," and the pollsters' rule says, "If you have to make a choice, find another issue."

Together, they have left Congress with a budget that cannot be trusted, and a budget that will not work.

I will vote against the conference report.

Mr. THURMOND. Mr. President, I rise today in favor of adopting the fiscal year 1983 budget as set out in Senate Concurrent Resolution 92.

The total outlays called for in this budget are $769.8 billion, with $665.9 billion in revenues, resulting in a projected deficit for fiscal year 1983 of $103.9 billion. This is a much higher deficit figure than I would like, particularly when it will bring the public debt figure up to $1.29 trillion.

Nevertheless, Mr. President, we must not lose sight of the fact that spending, the tax burden, and the deficit would be far, far higher if it were not for the actions undertaken by this administration and carried forward under this budget resolution. This budgetary blueprint calls for additional spending reductions of approximately $14 billion in domestic programs, including measures to restrain runaway growth in the cost of various entitlement programs. It calls for cutbacks in defense spending of $5.5 billion from the levels originally sought by President Reagan. Frankly, this is more of a defense cut than I would like, considering the ominous nature of the Soviet threat, and the need to rebuild our defense strength after years of neglect under the Carter administration; however, I recognize the necessity of budgetary restraint in all areas if we are to hold down the size of the deficit, thereby reducing Federal borrowing and the pressure on interest rates.

In addition to these spending cuts, Mr. President, this budget resolution provides for legislative action to increase tax revenue. Again, this is a step that I regret to be necessary, but it is in fact necessary that some additional revenue be raised in order to narrow the gap between spending and revenues. Yet, we must guard against simply shifting the burden to the taxpayers, as that would inhibit economic recovery, stifle productivity-enhancing investments, and completely abdicate the need for Congress to excercise fiscal responsibility on the spending side of the budget.

Mr. President, this budget is not perfect, but as indicated by the surge in the stock market when the House passed this resolution, it should send a signal to the financial markets that the Federal Government is serious about reducing Government spending. It makes clear that the goal of both the President and Congress is to bring the budget into closer balance without unnecessarily increasing taxes. This goal will be accomplished by reducing Government spending in all areas, especially those where waste, abuses, and spiralling program growth are present.

The initiatives embodied in this budget are but another step toward greater fiscal responsibility, which should reinforce monetary restraint and help trigger a substantial decline in interest rates. This lowering of interest rates will allow many Americans to purchase homes, automobiles, and other durable goods that have been beyond their reach due to the high rates on mortgage and consumer loans. This in turn will put many Americans back to work in the housing, automobile, and related industries. With the increased business activity, other businesses will be able to recall workers that have been temporarily unemployed. Moreover, the recent high levels of business bankruptcies should be reduced, as the economy revives and interest costs diminish.

Mr. President, this budget is essential to the recovery of the American economy. While it is not everything that I would like, I think it is imperative that the Senate pass this measure, in order that we can move forward with the even more critical decisions on upcoming appropriations bills and legislation to restrain growth in the entitlement programs. I would also reiterate my strong support of the balanced budget constitutional amendment which is now pending on the Senate Calendar. I am pleased to be the principal author of this proposal and am firmly convinced that such an amendment is necessary if we are to be successful in the ultimate objective of balancing the budget and keeping it in balance. It is my hope that the Senate will take up and pass this proposed amendment within the next few days.

Mr. HOLLINGS. Mr. President, yesterday the chairman of the Budget Committee told us of letters he received from Secretary of Defense, Caspar Weinberger, and Interior Secretary, James Watt, defending the use of the administration estimates of defense spending and OCS receipts contained in this conference agreement.

Dr. Alice Rivlin, Director of the Congressional Budget Office, has stated that the administration estimates are exaggerated in both these areas. The nonpartisan CBO, which we have relied on for impartial analysis since the beginning of the budget process, estimates that defense spending in the resolution is understated by a total of $8.9 billion over the fiscal year 1982-85 period. Likewise, CBO states that receipts from OCS leasing are overstated by $11.9 billion. These two elements alone contribute to an artificial deficit reduction of $20.8 billion.

The CBO estimate of defense spending for the current year is not based on a letter from the Secretary of Defense. It is based on 8 months of actual spending data. Using actual spending through May 1982, CBO estimates that DOD outlays for fiscal year 1982 are already running at a $185.5 billion annual rate. To meet the DOD estimate, defense programs in the remaining 4 months of this year would have to be cut by $4 billion. I ask, how likely is that to occur?

On the matter of OCS receipts, the CBO is not alone in believing the administration is overly optimistic. The *General Accounting Office, in a report* dated June 8, 1982, stated that it is not likely that the administration estimates of OCS receipts will be achieved for fiscal year 1983. This conclusion is based primarily on the administration's use of a new and untested methodology to predict OCS bonuses. This new method resulted in fiscal year 1983 estimates that are twice the level expected to occur this year, an increase which the GAO terms "unprecedented."

It is ironic that the chairman of the Budget Committee rejects a CBO methodology for forecasting revenues yet accepts without question an untried administration method for predicting OCS receipts which even the GAO has said yields unprecedented results.

Mr. President, I ask that a copy of the summary of the GAO report be printed in the RECORD.

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

THE COMPTROLLER GENERAL'S REPORT—OUTLOOK FOR ACHIEVING FISCAL YEAR 1983 OFFSHORE REVENUE ESTIMATE—POSSIBLE BUT NOT LIKELY

DIGEST

In February 1982, the Administration announced that projected Outer Continental Shelf revenues would be $18 billion for fiscal year 1983. While offshore revenues are expected to increase under Interior's accelerated leasing program, various groups have taken exception to the magnitude of the projected increase suggesting that achieving the $18 billion was improbable and that the large estimate was, in reality, a technique to reduce projected budget deficits.

Subsequently, in April 1982, the Administration announced that it had reduced its $18 billion estimate to $15.7 billion. Approximately $400 million of the reduction resulted from Interior's decision to postpone one lease sale and to drop another from the lease schedule for fiscal year 1983. The remaining $1.9 billion reduction is not allocated to a specific sale or provision of the program but, according to the Office of Management and Budget (OMB), is an overall reduction reflecting the uncertainty of the estimate, in view of the current oil price situation; the public concern that the $18 billion estimate was too high; and the fact that Interior is proposing an all new leasing program that may be impacted by litigation.

Chairmen from two House Subcommittees asked GAO to review the Administration's original $18 billion estimate. Their questions focused on the assumptions, data, and methodology used in developing the estimate; the relationship of the estimate to prior years' receipts; the accuracy of past estimates (over the last 10 years) in relation to actual receipts; the role of the Office of Management and Budget in developing the estimate; and the difference between the Administration's estimate and the lesser estimate developed by the Congressional Budget Office (CBO).

The analysis contained in this report is predominately based on the Administration's original $18 billion estimate, but is applicable to the subsequent reduction. The reduction was not based on a specific change in the assumptions, data, or methodology used to develop the estimate and did not affect the two major uncertainties that are key to achievement of the estimate—the substantial increases in bonuses from two Gulf of Mexico sales and the release of escrowed funds from prior sales. Thus, given these factors, the questions and concerns raised in the report are applicable to both the original $18 billion estimate and the current $15.7 billion figure.

As requested, GAO did not solicit agency *comments on a draft of this report.*

NEW METHODOLOGY USED TO FORECAST BONUSES

Revenues from offshore lands consist of bonuses received from oil and gas companies through the competitive bidding process used to award leases, royalties received from hydrocarbon production on leased lands, and rental revenues from land under lease.

Because of the increased acreage to be offered under the accelerated leasing program, the Administration developed a new methodology for forecasting bonuses. Prior estimates were based on the leasing experience of prior years. However, under the Administration's area-wide lease offering approach, sale sizes will increase substantially over what has been offered in the past. Interior had no prior experience for projecting bonuses under this concept. Thus, a new methodology was developed to forecast bonus receipts. Bonus estimates, under the new methodology, are based on the discounted value of the total hydrocarbons believed to be contained in a lease sale area. That is, the value of the hydrocarbons is discounted to compensate for a number of risk and uncertainty factors associated with offshore leasing. The methodology is new, untested, and its predictability cannot be determined at this time.

The methodologies for developing royalty and rental estimates were the same as those used in prior years.

HIGH AND UNPRECEDENTED ESTIMATE

The Administration's high revenue estimate for fiscal year 1983 is unprecedented. The $15.7 billion estimate far exceeds receipts from prior years of leasing and represents about a twofold increase over the current fiscal year 1982 estimate. About $13.2 billion of the original $18 billion estimate is projected to come from bonuses which is almost twice that of the previous record bonuses of $7.8 billion received in fiscal year 1981. The projected increase in royalty receipts is only 10 percent over the previous year's projection and seems more in line with past trends.

The realization of the Administration's revenue estimate depends largely on how precisely it has estimated bonuses for two sales in the Gulf of Mexico. These sales account for $8.7 billion—66 percent of the original bonus estimate. Bonuses of this magnitude seem questionable since most of the Gulf areas have already been considered by industry in the past and, include some deepwater tracts of high economic risk and uncertainty. Also, the resource estimates for these two sale areas, the primary basis of their bonus estimates, vary widely. Furthermore, the last two sales in the Gulf of Mexico have brought in substantially lower bonuses than anticipated.

DIFFICULTY IN FORECASTING OFFSHORE RECEIPTS

Interior's track record of estimating offshore revenues shows that the prospect of accurately forecasting receipts for any 1 year is very difficult. Interior substantially underestimated revenues for 6 of the 10 years between 1972 and 1981 and overestimated revenues for 4 years. For example, Interior overestimated actual receipts by about $3.6 billion for fiscal year 1977 and underestimated actual receipts by about $4.6 billion for fiscal year 1974. Indications are that 1982 receipts will be less than originally projected. Such fluctuations indicate the possible margin of error in forecasting offshore revenues.

OMB REVISED INTERIOR'S ESTIMATE TO REFLECT DIFFERING ASSUMPTIONS

OMB used Interior's methodology for developing bonus, royalty, and rent estimates for fiscal year 1983. OMB's February estimate, however, was about $1.2 billion higher than Interior's original October 1981 estimate. OMB's bonus estimate was about $495 million higher than that of Interior and its royalty estimate was about $832 million less than Interior's forecast. These differences were the result of differing assumptions as to inflation rates, future prices of oil and gas, and the timing of bonus payments to the Government. The major difference between the two estimates, however, was that OMB assumed that about $1.5 billion held in escrow accounts from prior year sales would be released to the Treasury in fiscal year 1983.

CONGRESSIONAL BUDGET OFFICE'S ESTIMATE IS SUBSTANTIALLY LOWER

The Congressional Budget Office has estimated that the receipts from offshore leasing activities for fiscal year 1983 will be about $5.2 billion lower than the Administration's $18 billion estimate. CBO's estimate is based on different projections for bonus and royalty receipts and different assumptions about the release of monies held in escrow accounts.

CONCLUSIONS

Achievement of even the latest Administration offshore revenue estimate for fiscal year 1983 is possible but not likely. Primarily, in GAO's opinion, substantial increases in revenues from Gulf of Mexico leasing and the release of escrowed funds, which are key to achievement of the estimate, are uncertain. The Gulf of Mexico sales and the escrow releases account for $10.2 billion— 57 percent of the original $18 billion estimate. Also, the bonus estimates for the Gulf of Mexico sales are based on resource estimates that vary widely.

Other factors to also be considered in assessing the reasonability of the estimate are (1) the methodology for estimating bonuses is based on resource estimates which are subjective, and differ by methods of assessment and degree of supporting data; (2) increases in offshore revenues will probably be more closely tied to the economics of oil and gas development, which has recently been on the downturn, than to larger and more frequent acreage offerings; (3) Interior's accelerated program is clouded with the threat of litigation which could delay or limit acreage offerings in planned sales; (4) in the past, accurately forecasting offshore revenues for any 1 year has proven very difficult; and (5) the fiscal year 1983 revenue estimate goes far beyond the receipts ever received for a single year in the past.

RECOMMENDATION TO THE SECRETARY OF THE INTERIOR

GAO believes that the Secretary of the Interior should improve the Department's offshore revenue forecasts and recommends that the Secretary evaluate future leasing experience to verify the methodology and assumptions used in its budget model. Such analyses should lead to validations or adjustments needed to increase the reliability and confidence in future revenue estimates.

RECOMMENDATION TO THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

The Director of the Office of Management and Budget should provide concurrently with future offshore revenue estimates a full discussion and accounting of the estimate to Congress. The discussion should include complete descriptions of the various factors that could impact on the accuracy of the estimate; type and quality of the data used to develop the estimate; and likelihood of achieving that level of revenue.

Mr. BRADLEY. Mr. President, I voted against this budget resolution on May 21 because it did not provide a balanced mix of revenue increases, defense spending cuts, and nondefense spending cuts.

The Tax Act of 1981 reduced revenues below the levels necessary to support the congressional mandated level of Government activity. We could not afford that reduction last year when we considered the tax legislation; we could not afford it last month, when we considered the first budget resolution; and we cannot afford it today as we consider the conference report.

The defense spending cuts reflected in the first budget resolution did not address the real problem facing our national defense. That is the imbalance between conventional and strategic programs. Urgent, tough, and good-faith negotiations are necessary for arms control. Our defense establishment needs a credible conventional capability so that increased reliance on nuclear weapons is rendered unnecessary. These priorities were not found in the defense spending plans of the budget resolution we considered last month. They are not found in the conference report we address today.

The nondefense spending cuts reflected in the first budget resolution would reduce our opportunities for economic growth. Investments in people and research represent our real hope for an ability to compete in world markets. Yet the Senate proposed to cut nondefense discretionary programs by $27 billion and entitlements by $26 billion over 3 years. The conference report cuts nondefense programs by $35 billion and entitlements by about the same as the Senate-passed level. These cuts were too large last month and are larger today.

So, Mr. President, I can find no reason to support this conference report. The Senate-passed version was not one I could support. This version is worse. I shall vote nay.

Mr. HELMS. Mr. President, a little over a month ago, the Senate considered its budget resolution which was, in many ways, identical to the one we have before us today. It is a credit to the Senate Members of the Senate Conference Committee that they worked fast enough and with such skill as to be able to bring this resolution before the Senate today.

A month ago, the argument was heard that the budget resolution as constituted was imperative because if we did not pass such a resolution, the financial markets would not be calmed and interest rates would stay high. In fact, it was argued by such economists as Henry Kaufman that a budget resolution would bring down interest rates. Several times that argument was heard in the Senate.

Mr. President, since that budget resolution was passed, interest rates have not declined. In fact, they have risen.

One wise analyst said that the markets are not so much panicked by the threat of high deficits as by the threat of Congress panicking over the threat of high deficits.

I fear, that this budget resolution embodies Congress panic.

Mr. President, the tax increases are intolerable. We appear to be accepting the repudiated theory that Congress can "tax our way to prosperity." It is as if the economics of this budget resolution are not caused in large part by the recession—that, somehow, we should raise taxes in the face of a recession. The last time a Congress really raised taxed in the face of a major recession was almost exactly 50 years ago. In June of 1932, a bipartisan coalition moved to raise taxes to balance the budget and the economy took an 8-year nose dive.

But what of spending? Much of the spending in this budget is in the so-called uncontrollables—the entitlement programs. Though they serve an important purpose for many people, for many others, Federal handouts serve as a major disincentive to work and productive effort. By refusing to deal seriously with the massive entitlement programs, we are saying that we will pay for more leisure and less work on behalf of the recipients of these programs. In addition, by refusing to cut these programs, we are telling future generations that there will be greater Federal indebtedness, thus greater taxation and, thus, fewer rewards in the future.

Mr. President, as I stated in my statement on the Senate budget resolution, a Senator must sometimes choose between what he feels is right and being misunderstood. My opposition to this budget is that I am convinced that it embodies the wrong public policy prescriptions; and second, that no budget resolution would be better than this one.

● Mr. LEVIN. Mr. President, I oppose the conference report on the first budget resolution for fiscal year 1983. This conference report continues the administration's policy of huge increases in defense spending, full continuation of an unwise and unfair tax cut program, and slashed spending for programs and people who already bore the brunt of the spending cuts which were enacted last year.

Further, this economic program is pushed in a far different, far more unfavorable, context than last years first wave of Reaganomics. It is being pushed in an environment when the first fruits of Reaganomics are becoming obvious to all. The unemployment rate has increased from 7.5 percent to 9.5 percent in 1 year, with the number of unemployed increasing by 2.3 million people. Three thousand more businesses have failed this year than did last year by this date. The average mortgage rate has remained stuck at 16.7 percent, with the result that the housing industry is a disaster area. And the inflation rate, which the administration has pointed to with pride over the past several months, is now on the rise again.

A prudent person would look at this current economic environment and pause before agreeing to round two of Reagonomics. Last year the President received virtually his entire economic program. Last year in describing his budget, and its optimistic forecasts, the President said,

In fact, if each portion of this comprehensive economic program is put in place—quickly and completely—the economic environment could improve even more rapidly than envisioned in these assumptions.

This year, the roof seems to be falling in, and the President and this conference report are offering us just more of the same.

I cannot support this. During the Senate's deliberations on the budget last month I gave my support to a bipartisan budget plan. I did not agree with every aspect of the plan, but I was willing to swallow my disagreements because on the whole I thought it was the best and most equitable option available. Furthermore, since it was bipartisan, I believe that it would have been a better basis from which to operate when we get down to passing the legislation which would be necessary to actually implement the budget resolution. That legislation is going to involve hard choices, and without a bipartisan consensus backing it, the chances of passage are going to be slim. I hope that the Congress will be able to return to a bipartisan approach.

There is one thing else which I find unacceptable. The President continually says that his budget does not make any cuts in spending. It only reduces the rate of increase, he says. But in doing this the President engages in a semantic slight of hand. When talking about the need for greater defense spending he points to the need to keep to a certain level of real growth, so that even after inflation is taken into account, the Pentagon is still getting substantially more money this year than it did last year.

However, when talking about spending for nondefense programs, the President talks about increases in spending, which fails to factor in the effects of inflation. It would seem to me that what is good for the defense goose is good for the nondefense gander. But after looking at the numbers it becomes clear why the President fails to take into account inflation when he is talking about his support for domestic programs.

What the numbers show is that the programs funded under the income security function of the budget resolution—which includes social security, unemployment compensation, child nutrition and Aid to Families with Dependent Children—will be cut by $800 million in constant dollars in fiscal year 1983, and not increased by $18 billion which would be the case if we ignored inflation. What these numbers show is that programs funded under the health function of the budget resolution—which includes medicare and medicaid—will be cut by $2.0 billion in constant dollars in fiscal year 1983, and not be increased by $4.1 billion. When we look at the energy function, we find that this conference report will result in a real decrease in spending of $2.2 billion.

So, let us make it clear, this budget does cut spending in real terms. People will experience real cuts in services. People will be hurt. And if there is one thing worse then hurting people, it is to hurt them and not be candid with them about it. It is to hurt them and to deny the existence of pain.

Mr. President, I ask that a table detailing the real effect on spending of this budget resolution by functional categories be included in the RECORD.

The table follows:

THE CHANGE IN SPENDING FROM FISCAL YEAR 1982 TO FISCAL YEAR 1983 AFTER TAKING INFLATION INTO ACCOUNT[1]

[In billions of dollars]

Function	Fiscal year 1982	Fiscal year 1983 (current dollars)	Fiscal year 1983 (constant dollars)	Fiscal year 1982/fiscal year 1983 (change in constant dollars)
Defense:				
BA	218.2	253.5	233.5	+15.3
O	187.5	213.9	197.1	+9.6
International affairs:				
BA	16.7	15.9	14.7	−2.0
O	11.4	11.5	10.6	−0.8
General science, space and technology:				
BA	7.0	7.8	7.2	+0.2
O	7.0	7.6	7.0	
Energy:				
BA	4.8	4.8	4.5	−0.3
O	6.4	4.5	4.2	−2.2
Natural resources and environment:				
BA	10.3	9.5	8.8	−1.5
O	12.8	10.9	10.1	−2.7
Agriculture:				
BA	9.9	6.6	6.1	−3.8
O	13.8	9.0	6.3	−7.5
Commerce and housing:				
BA	9.4	7.1	6.6	−2.8
O	3.7	2.8	2.6	−1.1
Transportation:				
BA	20.8	21.4	19.8	−1.0
O	21.3	19.9	18.4	−2.9
Community development				
BA	7.0	6.9	6.4	−0.6
O	8.5	7.7	7.1	−1.4
Education, training, social services:				
BA	25.4	26.8	24.7	−0.7
O	28.1	26.2	24.2	−3.9
Health:				
BA	78.5	79.5	73.3	−5.2
O	73.7	77.8	71.7	−2.0
Income security:				
BA	256.7	274.7	253.0	−3.7
O	250.3	270.8	249.5	−0.8
Veterans' benefits:				
BA	24.8	24.5	22.6	−2.2
O	23.8	23.8	22.0	−1.8
Administration of justice:				
BA	4.5	4.5	4.2	−0.3
O	4.6	4.6	4.3	−0.3
General government:				
BA	5.2	4.8	4.5	−0.7
O	5.0	4.6	4.3	−0.7
General purpose fiscal assistance:				
BA	6.4	6.5	6.0	−0.4
O	6.3	6.5	6.0	−0.3

[1] The inflation rate assumed is the GNP deflator of President's Feb. 8, 1982, budget.●

Mr. DECONCINI. Mr. President, I voted against the first concurrent budget resolution for fiscal year 1983 (S. Con. Res. 92) when it passed the Senate on May 21. The level of deficit financing it contemplated was much too high; its programmatic implications were unacceptable in several critical areas such as foreign aid, veterans affairs and law enforcement; and, taken as a whole, it did not provide the framework for the kind of genuinely bipartisan fiscal plan that, in my view, is a precondition for sustainable economic recovery. Unfortunately, I will be forced to vote against this conference report for the same reasons.

I cannot endorse a budget plan that projects, on the basis of what may charitably be called optimistic economic and technical assumptions, $247.8 billion in deficits over the next 3 fiscal years coupled with a Federal debt exceeding $1.5 trillion by fiscal 1985. Continual fiscal indiscipline can only compound the financial pressures behind the high interest rates that have thrown thousands of businesses into bankruptcy, hundreds of homeowners into the streets, and millions of workers out of their jobs. Significantly, interest costs alone, under the conference agreement, will amount to $342.7 billion over the fiscal year 1983-85 period. This, it should be noted, is $94 billion more than would be required to eliminate the fiscal year 1983-85 deficit. Interestingly, it also assumes that interest rates, which just a day or so ago Secretary Regan said are headed back up, will fall sharply over the next 3 years. Indeed, lower interest rates account for $54.9 billion of the savings contained in the resolution before us. I cannot support a scheme that, on the one hand, adds over one-quarter of a trillion to $1 trillion national debt and, on the other, saves $55 billion from reduced Federal financing costs. Whom are we trying to kid?

Nor can I support a fiscal frame that contains so many programmatic distortions. A couple of examples illustrate the point very nicely. Under the conference substitute, disabled veterans would be required to absorb $619 million in reduced pension benefits; the aged poor along with sightless and disabled persons who, because of their handicap, are destitute would, under this budget, see the pittance they now receive cut an additional $200 million. Further, the conference substitute would require veterans and military and civilian retirees to contribute $5.4 of their prospective pension benefits to the deficit reduction effort. Beneficiaries of social security and railroad retirement would, however, receive the full COLA to which they are entitled. It is patently unfair to single out those who have served their Government, often at great personal risk and sacrifice, for cuts in pension benefits. They, too, should be able to count on the pension rights they have earned.

I cannot endorse deep cuts in law enforcement at a time when serious crime is reaching epidemic proportions throughout the country. The Senate version of this resolution would have provided a total of $15 billion over the fiscal year 1983-85 period, an amount that is probably, judging by the gravity of the situation, far short of adequate. The conference substitute would provide a little over $13.5 billion for this function for the same period. If we are really committed to doing something at the Federal level about the skyrocketing crime rate, a $1.5 billion cut is hardly the place to start.

Finally, Mr. President, a bipartisan budget coalition cannot be built on funny numbers. The financial markets are not going to be convinced that we are really serious about fiscal restraint so long as we resort to Stockman-like manipulation of economic and spendout projections. The capital markets, like other institutions accustomed to dealing in quantities. Thus this agreement would achieve savings of $46.4 billion via management initiatives, many of which the nonpartisan Congressional Budget Office has already characterized as wildly optimistic. Another $8.8 billion cut simply reflects a change in the technical approach to estimating outlays—a paper cut if ever there was one. Examples could be multiplied but it is clear what is going on here. Budgeteering with blue smoke and mirrors may be politically expedient; it will not fool the markets. Mr. President, I urge rejection of the conference report.

Mr. MITCHELL. Mr President, as the Congress has considered the fiscal year 1983 budget in recent months, the U.S. economy has deteriorated. Nearly 10½ million workers, comprising 9.4 percent of our work force, are out of work. The high rate of business failures and bankruptcies, and the depressed state of the auto, housing, and forest products industries highlight the failure of current economic policies.

Not only are our budget policies failing, but they are also unfair. Recent public opinion polls show that an increasing number of people share the belief that last year's budget and tax cuts benefit the wealthy at the expense of the middle and lower income classes.

The administration ignored these trends in formulating its 1983 budget. Rather, the administration recommended a budget that continued along the same path that has led us to where we are now. The President recommended record budget deficits, further steep cuts in domestic programs, an excessively rapid increase in defense spending, and no compromise on his income tax program.

That budget proposal was greeted with criticism immediately, and was considered dead before Congress even began consideration of the 1983 budget. The final blow was delivered by the Senate Budget Committee which, even though controlled by Republicans, rejected the President's budget by a vote of 20 to 0.

The way out of our budget impasse would have been to devise a bipartisan alternative to the President's budget. Unfortunately, the conference report approved by the Senate today does not reflect such an approach. This budget is clearly inadequate. It does not make sufficient progress toward lower deficits, thus setting the stage for higher interest rates and, at best, a weak recovery. Furthermore, this budget still fails the fairness test.

The single most important reason to approve a budget, we have been told, is to reassure financial markets that Congress is determined to act responsibly on the budget. Yet this budget lacks the reliability necessary to provide this assurance. According to the Congressional Budget Office, this budget resolution understates the actual deficit over the next 3 years by nearly $66 billion.

Once adjusted for these overly optimistic budgetary assumptions the deficits contemplated in this budget are simply too high. The CBO estimates that the deficit will fall from $116 billion in 1983 to only $93 billion in 1985. By contrast, the alternative budget I favor would have much smaller deficits.

In addition, this budget has spending cuts in the wrong areas, spending increases in the wrong areas, and continues an unfair tax policy.

The budget cuts anticipated by this resolution place a heavy burden on our Nation's elderly, disabled, and disadvantaged. Savings would be achieved by shifting a greater share of health care costs to the elderly and by imposing further cuts on the working poor, food stamp recipients, and other needy recipients under Federal programs.

I reject the notion that cutting these programs represents the only solution to correcting our economic problems. Rather, these cuts are being promoted to finance an excessively rapid increase in defense spending and an ill-timed reduction.

Just as many domestic programs will face reduced funding, rapid increases in defense continue abated. This resolution contemplates a substantial increase in budget authority for defense beyond that necessary to compensate for inflation.

I agree that we need to devote more resources to build a stronger national defense, particularly in the area of conventional force readiness. Yet a slower, steadier buildup makes more sense for the economy, and it buys better defense in the long run as well. Not only would a steadier increase in defense contribute to lower interest rates, but we would avoid bottlenecks in key sectors and encourage a more efficient use of the funds available. The amendments to this budget that I supported would still have provided for a significant increase in real defense spending but would not neglect human needs in doing so.

Similarly, this budget exhibits an inflexible approach to tax policy. While I strongly support the 1982 tax reduction as a needed stimulant to our stagnant economy, I believe that the scheduled 1983 tax cut should be deferred until the economy improves. I recognize the need to reduce taxes for all working Americans, but again moderation is in order. Implementing the third stage of the tax cut before interest rates have fallen and we have achieved control over Federal deficits could set us back in our efforts to resume sustained economic growth.

Furthermore, the tax cut should be modified to give more relief to middle-income families who pay the greatest amount of taxes but will receive a disproportionately small share of the scheduled tax cuts. Such a move would help reverse the growing perception that our budget policies are unfair to middle-income Americans.

American taxpayers want and deserve a balanced, moderate approach to reducing the deficit. This budget resolution offers instead more of the same—an imbalanced program involving sharp cuts in domestic programs and excessive defense and tax policies. Until we can fashion a more equitable budget, our policies will not and should not enjoy the support of the American people.

Mr. PELL. Mr. President, the budget adopted by the Congress for the U.S. Government is more than a simple plan of how the Government should spend its money during the coming year. The budget is a vitally important statement of the policies of the American people and of the Government. The budget is a statement also of the priorities of our Nation.

I voted against the budget resolution considered by the Senate today because I believe this budget is based on mistaken policies and sadly misplaced priorities. The budget proposal before the Senate is unrealistic and economically unsound.

The Budget, while providing for continuation of an unprecedented increase in military spending, places a heavy burden of new budget cuts on nondefense programs. In 1983 alone, the resolution would require a cut of $3.6 billion in medicare, $700 million in medicaid, and $900 million in child nutrition and food stamps for the needy. Over the next 3 years, the resolution would require cuts of $25.3 billion in these and other entitlement programs.

In addition, the resolution would require budget reductions of $35.3 billion in nondefense programs during the next 3 years. The resolution squeezes $5.4 billion out of the retirement and pension checks of veterans, and military, and civilian retirees, by capping the inflation adjustments of those pensions.

In all, the proposed budget requires cuts in spending totaling $280.2 billion during the next 3 years, but of that total less than 10 percent—just $26.3 billion—will be taken from the huge increases proposed in military spending.

I believe these budget cuts represent a tragic error in our national priorities, especially when we consider that Federal programs for education, food, housing, for health care and for the elderly have already been subjected to deep budget cuts during the past 2 years. These budget cuts will also bear heavily on the programs of transportation, roads, water resources, and other investments important to the economy of our Nation.

And, yet despite all of these reductions, the budget resolution still provides for unacceptably large Federal deficits for the next 3 years. This budget would add $247.8 billion to the Federal debt over the next 3 years. Those deficits will make it very difficult to bring down the very high interest rates that are suffocating the American economy. It is those high interest rates, which threaten to undermine any strong recovery from the current recession. It is those high interest rates that condemn millions of Americans today to unemployment.

Regrettably, this budget resolution provides no solution to the problem of high interest rates, but threatens to continue the damage being done by high interest rates.

Mr. President, I believe it is time we recognize that it is the economic policies of the Administration that have caused and are causing economic hardship, unemployment, and bankruptcies throughout the Nation. Faced with the failure of the administration's economic policies, we should not now approve another dose of the same policies and prescribe more of the same medicine.

This budget resolution promises more of the same economic misery we have suffered through for the past year.

For all of these reasons I voted against the resolution.

Mr. BAKER. Mr. President, could I inquire of the managers of this measure if perhaps they would be in a position to go to the consideration of the substitute? I know of no other amendments to be offered. While there may be time remaining, I think this is a good time, for the convenience of Members on both sides of the aisle, to consider that important vote. Would the managers be in a position to yield back time at this time and proceed?

Mr. HOLLINGS. We would be.

Mr. DOMENICI, I am prepared to yield back my time.

Mr. BAKER. I thank the managers.

Mr. President, I ask for the yeas and nays on the motion to coneur in the House amendment

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. HOLLINGS. Mr. President, I yield back the remainder of my time.

Mr. DOMENICI. Mr. President, I yield back the remainder of my time.

Mr. DOMENICI. A parliamentary inquiry. The issue, then, is our agreement to the House amendment?

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the motion to concur in the House amendment. The yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON), is necessarily absent.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON) would vote "nay."

The PRESIDING OFFICER (Mrs. HAWKINS). Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 54, nays 45, as follows:

[Rollcall Vote No. 194 Leg.]

YEAS—54

Abdnor	Gorton	Packwood
Andrews	Grassley	Percy
Armstrong	Hatch	Pressler
Baker	Hatfield	Quayle
Boschwitz	Hawkins	Roth
Brady	Hayakawa	Rudman
Chafee	Heflin	Schmitt
Cochran	Heinz	Simpson
Cohen	Humphrey	Specter
D'Amato	Jepsen	Stafford
Danforth	Kassebaum	Stennis
Denton	Kasten	Stevens
Dole	Laxalt	Symms
Domenici	Lugar	Thurmond
Durenberger	Mattingly	Tower
East	McClure	Wallop
Garn	Murkowski	Warner
Goldwater	Nickles	Zorinsky

NAYS—45

Baucus	Exon	Melcher
Bentsen	Ford	Metzenbaum
Biden	Glenn	Mitchell
Boren	Hart	Moynihan
Bradley	Helms	Nunn
Bumpers	Hollings	Pell
Burdick	Huddleston	Proxmire
Byrd,	Inouye	Pryor
Harry F., Jr.	Jackson	Randolph
Byrd, Robert C.	Johnston	Riegle
Chiles	Kennedy	Sarbanes
Cranston	Leahy	Sasser
DeConcini	Levin	Tsongas
Dixon	Long	Weicker
Dodd	Mathias	
Eagleton	Matsunaga	

NOT VOTING—1

Cannon

So the motion to concur in the House amendment was agreed to.

Mr. BAKER. Madam President, I move to reconsider the vote by which the motion was agreed to.

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

The motion to lay on the table was agreed to.

CORRECTION OF TYPOGRAPHICAL ERRORS

Mr. DOMENICI. Madam President, there are some typographical errors in the star print of the conference report and the statement of the managers on Senate Concurrent Resolution 92. I ask unanimous consent that the following list of corrections be printed at the appropriate place in the RECORD and that an errata sheet be printed and distributed with the conference report and the statement of the managers. Further, I ask unanimous consent that the crosswalk allocations in the conference report be deemed to conform to the errata sheet as printed.

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

The list of corrections ordered to be printed in the RECORD follows:

(1) On page 5, paragraph numbered (3), fiscal year 1982, line (B) Outlays, strike out "$7,000,000" and insert "$7,000,000,000".

(2) On page 12, under the heading Senate Committees, paragraph numbered (2), the line beginning "and to reduce" strike out "$1,231,00,000" and insert "$1,231,000,000".

(3) One page 16, subsection (b), item numbered (1), strike out "401(a)(1)(B)" and insert "401(d)(1)(B)".

(4) On page 17, section 9(b)(2), after the words "committee of each House," add the word "shall".

(5) On page 20, in the heading of the first table on the page, strike out "985" and insert "1985".

(6) On page 24, in the table Fiscal Year 1984—Budget Aggregates and Functional Categories, on the line Change in Public Debt Limit, strike out "127.9677" and insert "+127.9677".

(7) On page 29, in the line Revenue Inceases: Ways and Means, strike out "−36,000" and "−41,400" and insert "+36,000" and "+41,400", respectively.

(8) On page 30, under the heading Credit Budget, first paragraph, after the words "The conference substitute provides", strike out "$63.3" and insert "$63.6".

(9) On page 36, in the table Senate Committee Credit Allocations Pursuant to Section 9 of S. Con. Res. 92, Fiscal Year 1983, on the line Banking, Housing, and Urban Affairs Committee, strike out "5" and "75" and insert "924" and "20,997", respectively. In the same table, on the line Veterans' Affairs Committee, strike out "1,042" and "20,922" and insert "123" and "...". respectively.

Mr. BAKER. Madam President, I wish to express my deep appreciation to the distinguished chairman of the Budget Committee and the distinguished ranking member for their expeditious handling of a matter which was full of controversy and difficulty and which represents the best efforts of this committee and of the conferees and good faith cooperation on both sides of the aisle. I am pleased that this matter has been brought to a successful conclusion, and I congratulate all members of the committee, all Members of the Senate, and express my personal appreciation for their good work.

EXTENDING UNEMPLOYMENT BENEFITS

Mr. MATHIAS. Madam President, today I am pleased to be added as a cosponsor to S. 2550, a bill introduced by the distinguished senior Senator from Pennsylvania, JOHN HEINZ. This legislation would provide 13 additional weeks of unemployment compensation to those who had exhausted their benefits under the extended benefits