Mr. President, the balanced budget amendment is one of the several procedural changes that seem to me to be imperative. Several of the changes were clearly in the mind of voters in November, changes that will have a long-term impact, not just on this year's decisions in the Congress, but an impact on the way Congress behaves over time. That is the more important question.

We keep expecting different results and continue to use the same process. There is really little reason to expect that results will be different if we continue to do the same thing. We need a forced discipline. We need an external constraint. I think that is true of most political bodies, frankly. Politicians love to be able to provide programs. Politicians love to be able to solve problems. Politicians sort of get to where they like to have problems to resolve for their constituents. A man with a hammer thinks every problem is a nail.

We need some constraint, some constitutional discipline. The Federal debt is nearly $5 trillion, over $18,000 for every person in this country. We spend $800-plus million per day in the gross interest payments.

So we have a moral imperative to balance the budget for people in Wyoming and people in every other State. Families have to balance, businesses have to balance, States, by and large, have to balance, and the Federal Government should have to balance as well and not pass off the debt on its children and grandchildren.

Opponents say, ''We already have the tools.'' The evidence shows that we do not. The Federal Government has spent more than it has taken in for 55 of the last 63 years. Not a good record—not a good record—and not a good basis for saying we do not need to do anything.

So, Mr. President, I am sure we will hear about draconian cuts. The fact is that what we have to do is slow the growth. We have been increasing spending at 5 percent. Say we increase it only at 2 percent.

So I hope as we go forward, we can continue to make some points about the balanced budget, but the bottom line is, should we do it and, if so, what has to take place to require that the balanced budget be used in the Congress and be used for Federal spending.

Thank you, Mr. President. I yield back the remainder of my time.

The PRESIDING OFFICER. Under a previous order, the Senator from Utah [Mr. BENNETT] is recognized to speak for up to 15 minutes.

Mr. BENNETT. I thank the Chair.

(The remarks of Mr. BENNETT, Mr. BUMPERS, and Mr. JOHNSTON pertaining to the introduction of S. 309 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

The PRESIDING OFFICER. The Senator from Alaska.

Mr. MURKOWSKI. Mr. President, it is my understanding that I am to be recognized in morning business.

The PRESIDING OFFICER. Yes. Under a previous order, the Senator from Alaska is recognized to speak for up to 15 minutes.

MEXICAN PESO CRISIS

Mr. MURKOWSKI. Mr. President, oftentimes it is not appropriate to be critical of a proposal unless you have a better solution. But I rise today to speak on the action of the administration which was announced yesterday regarding Mexico. In the opinion of the Senator from Alaska, the administration simply did an end-run around Congress and the American people when it unveiled its latest financing package for bailing out foreign investors in Mexico.

There is no question the President has the legal authority under the exchange stabilization fund to provide the $20 billion in loans and loan guarantees to the Mexican Government. However, I am concerned that this establishes a dangerous precedent and represents a use of power by the administration that was, in my opinion, unwarranted. It should be noted that the potential of unilaterally using the emergency stabilization fund was not conveyed to many of the Members who were involved in working with the administration on the potential alternatives associated with this financial crisis.

In any event, it has been less than 6 weeks since the Mexican Government reversed its longstanding policy of maintaining a pegged value for the Mexican peso and devalued the peso by nearly 13 percent. This devaluation plunged the Mexican stock and currency markets into a panic and a crisis that resulted in the peso dropping by more than 30 percent in a matter of just a few days.

It was at that point that the Clinton administration came forward and offered, first, a $6 billion credit line to Mexico in an effort to stabilize the currency. By January 3, Treasury saw fit to extend this line of credit to $9 billion and there were some other governments that came in, and commercial banks, for another $9 billion. So there was approximately $18 billion available for stablizing the peso at that time. I include the $6 billion I previously mentioned.

When I made an inquiry to the administration about this taxpayer-financed $9 billion credit line, I was assured that the American taxpayer would not be at risk because the credit line was fully collateralized by Mexico.

Since January 3 we have seen the peso crisis not abate. It only got worse. The peso dropped 45 percent in barely 1 month. This led the administration to raise the specter of as much as a $40 billion credit line to stabilize the peso. And by yesterday, the size of the bailout had grown another 25 percent to nearly $50 billion, with at least $20 billion coming from U.S. participation.

The specifics of that participation, as indicated in a newspaper article, suggests that commercial banks will be in for $3 billion; Canada, $1 billion; Latin American countries, $1 billion; the Bank for International Settlements, $10 billion; the International Monetary Fund, $17.8 billion; and, as I have indicated, the United States Treasury, some $20 billion.

Why are we putting so much taxpayer money at risk? Who are we defending and who are we bailing out with this taxpayer-financed line of credit? And how did Mexico fall into the crisis?

Mr. President I would note that most of this debt is represented by bearer bonds. That means whoever holds them basically owns them. It is like owning a $100 bill. You can walk in and turn it into two 50's or five 20's. The significance of that is it is very difficult to identify who specifically holds those debt instruments.

What we have learned in the last month, however, is that this crisis has not just happened overnight. It has been building for a year or more. It was clearly foreseen by the United States and Mexican Governments. In fact, the New York Times recently reported that United States Treasury officials warned the Mexican Government as early as last summer the country's foreign debt had become dangerously high and that the peso was being maintained at an artificially high level.

But, for strictly internal political reasons, the Mexican Government chose to compound the crisis by continuing to print billions of pesos. As far as I know they were printing them yesterday. They may still be printing them today. Compounding the Mexican Government's mismanagement of its finances and its insatiable desire to maintain a strong peso and excessive foreign imports, the Government allowed its foreign currency reserves to drop from $29 billion in February to less than $7 billion in December.

Now Mexico faces the daunting prospect of having to deal with foreign debt redemptions that are listed at approximately $80 billion this year, $39 billion of which is in the public sector. The significance of that is that is debt that is falling due this year, not all at once this year, but it will have to be met or refinanced this year. It is very likely, when the guarantees are in force, the holders of these notes, these bearer notes, are going to immediately want to convert their pesos into dollars and increase rather than decrease the capital flight out of Mexico.

If you and I held bearer notes in this crisis, what would be the inducement to hang on if the guarantees were there and we knew we could be paid? A fiduciary responsibility would suggest the holder of those notes would run in, cash them in, and take his or her principal and leave the country. The only consideration that might keep them

there is the attractiveness of the high interest rates. That rate may be in excess of 20 percent, which would certainly be an inducement.

But then the question is, Who are we bailing out? And the administration has yet to address specifically who holds that debt. They say the mutual funds hold the debt. The mutual funds are sophisticated investors. If they make an investment mistake, should the taxpayer have the responsibility of bailing them out anymore than any other individual who makes a financial investment and looks for a return on that investment, and tries to measure the risk against the inducement which is the interest that he is generating on that investment?

If the risk is too great or the investment goes sour, obviously the alternative is you lose your principal. But that is not what is happening here and that is why I am critical of this proposal.

I think there is a growing danger that the Mexican Government will have to return to Washington before this year is out seeking another $10, $15, or perhaps $20 billion in taxpayer funds for a second bailout. We were told by the assistant to the President of Mexico that the total debt of Mexico was about $180 billion, that the current debt was something in the area of close to $80 billion, and now we are talking about approximately a $50 billion guaranteed fund.

It is interesting to note that yesterday, Mr. Bill Seidman, former head of the FDIC and the RTC, in testimony before the Senate Banking Committee, indicated that the best way to resolve the Mexican financial crisis was to have the Mexican Government sit down with its creditors and renegotiate the terms of the loans that are coming due this year. He adamantly opposed a taxpayer bailout of speculators in Mexican debt. I believe Bill Seidman is absolutely right. Much of that Mexican debt carries rates of interest of 25 to 40 percent.

Where can you get that today in the United States? You are not going to get it in your savings account or your mutual fund. There is associated risk with the attractiveness of the investment and the potential return. Why should the American taxpayer dollars be used to pay off this debt of 100 cents on the dollar plus interest when we do not know who those holders are, other than the gray area of people who bought bearer notes or mutual funds, who made these risky investments simply to attain a higher interest rate? If they can get the Federal Government to guarantee what we have done, they will be very, very happy with such high interest rates.

Investors knew precisely what types of investments they were making. They were speculating. They were almost junk bond type of investments. And for American taxpayer funds to be used to guarantee this investment is unconscionable in my opinion.

Mr. Seidman's suggestion is that the debtors and the creditors sit down, the creditors being the holders, the debtors obviously being the Mexican Government, to work something out. How does that work? It is done all the time. I was a commercial banker for 25 years. If there is no blood in the turnip, if your borrower cannot pay, you sit down, you try to work something out, and you reschedule the debt, and take 40, 50, 60, or 70 cents on the dollar. You work something out. You just do not let everything collapse. We have not given this process a chance to work. I think we should.

Mr. President, yesterday the administration stated that the United States will impose strict conditions on the assistance it provides with a goal of ensuring that this package imposes no costs on the U.S. taxpayer. As of today, I am not aware that any of my colleagues know precisely what those conditions are. I have been involved in the meetings. I would expect the administration will make those conditions known, and I would encourage that they make them known before a single American dollar is used to provide guarantees to the Government of Mexico.

A factsheet released yesterday by the Treasury Department implies that these loans will be collateralized with the proceeds from Mexican oil exports. Mr. President, 2 weeks ago, I asked the Treasury to specifically identify how much of Pemex's revenue the Mexican Government has pledged, and how that revenue will be handled by United States financial authorities; how much of it is pledged, because obviously you can only attach what is not pledged but still assignable. I believe that it is imperative that for every dollar in loans and loan guarantees, the Mexican Government has to come up with some way to make a deposit of an equal amount of foreign hard currency in a Federal Reserve bank account in the United States from their oil export revenues.

I think the American taxpayer must be assured that so long as there are outstanding United States Government guarantees of Mexican debt, that an amount equal to the debt is maintained under the control of our Government. Otherwise, we risk the real possibility that the current Mexican Government or succeeding Governments could renounce the collateral agreement with the United States and leave the American taxpayer holding the bag. What are we going to do after these notes are called, so to speak, if the guarantees have to be delivered? We do not have another monetary stabilization fund to go to.

The response I received when I made an inquiry from the Treasury Department regarding collateralization of this debt was completely unsatisfactory to me. It does not appear to me that the new agreement will be any different, although I hope it will be. Under the previous draft agreement, the Mexican Government is required to turn over the proceeds from its oil exports only—get this, Mr. President—turn over the proceeds from its oil exports only in the event that the Mexican Government defaults on these bonds and only after such a default occurs. In other words, the Mexican Government would not establish an escrow account in the United States that can be immediately attached by the United States Government in the event of default. Another way of saying it is that there will be no collateral provided by the Mexican Government to offset the risk of default.

Mr. President, if we look at the structure of this, where we can only call, if you will, on this process after the Government is in default, I assure you that the practicality of that is basically unworkable. It is simply naive to believe that if Mexico, after receiving some $50 billion in loan guarantees from the United States Government and the IMF, faces a default on these bonds in the future, that it will have the political will and capacity to turn its oil revenues over to the United States Government. At that time, if the Government defaults, it is everyone for himself. The demands internally in Mexico will dictate that there will never be realistically a fund set up for the oil revenues, if indeed default occurs.

It does not take much imagination to know that, if in the future, Mexico faces default on United States Government-backed bonds, the entire Mexican economy will surely be in political, social, and economic chaos that will only be exacerbated by being forced to turn over its oil receipts to its neighbor in the north.

Let us be realistic. What caused this problem is too much debt. We have other nations that are friendly to us that have too much debt. Canada from the north would be the first to admit that.

What I fear is that, if such an economic crisis were to occur in the future in Mexico, the United States, having already put its $20 billion at risk, basically, would simply have to extend further credit lines to Mexico in order to stave off the political crisis that will be evident in that country. In other words, if we start down the line of extending $20 billion to Mexico, we are laying the foundation for future bailouts that I think will put even more American taxpayer money at risk.

Mr. President, before we extend $20 billion of credit to Mexico, we must have ironclad guarantees of internal economic reforms in Mexico, and I would like to see 100 percent collateralization of the loan.

Finally, Mr. President, it struck me during the entire negotiations that the best way to have handled this would have been to propose a guarantee on a percentage, if you will, of the current term debt that Mexico is exposed to.

Let us assume that we were to guarantee $40 billion of the $50 billion and require that the holders of the debt stay in on the balance, that other $10 billion. In other words, we would have been first out with a guarantee; the holders would have been last out. The explanation given as to why that was unworkable is we did not know who the holders of the debt were. I do not totally accept that. I think, had we waited, we could have forced the holders of that debt to come forward and make a proposal that they would stay in for a portion of their participation in return for the U.S. Government guarantee.

So that was my suggestion, which was recognized but rejected under the explanation that it was impossible to know who the holders of the debt were and, therefore, they could not proceed with that kind of an arrangement.

So time will tell, Mr. President, just what the risk to the U.S. taxpayer is. But this Senator is very concerned about the agreement that was made, and I felt an obligation to present my views to my colleagues.

I yield the floor.

The PRESIDING OFFICER (Mr. BENNETT). Under the previous order, the Senator from North Dakota [Mr. DORGAN] is recognized to speak for up to 10 minutes.

RECOGNITION OF THE FEDERAL RESERVE BOARD

Mr. DORGAN. Mr. President, there is almost nothing in Government worse than to have people do significant work and get almost no credit for it. So today, as the Federal Reserve Board once again closets itself in its concrete temple, locks its door, goes in the secret room, and makes decisions about interest rates that every single American will pay, I figured maybe we ought to give credit to those who are going to do the work and cast the votes. I do not know what is going to be announced in the next couple of hours, but I am told by almost everybody who thinks they know that the Federal Reserve Board will increase interest rates for the seventh time in less than a year; for the seventh time in less than a year they will increase people's mortgage rates.

I met a fellow the other day who said, ''I am paying $115 more now for my home mortgage now because of the Fed.'' In the past year, the Federal Reserve has increased people's interest rates on credit cards and has increased the Federal Government's deficit by $125 billion over 5 years just to pay the interest on the debt.

So they take action that has a significant impact on this country. I want to tell the American people who they are. Lord, it seems to me if you are doing work this important, you at least need to get credit for it. Let me tell the American people who is going to do this today. This is the Federal Reserve Board on this chart, the top line of pictures. These people are all appointed by the President and confirmed by the Senate. So they go through the Senate for confirmation. But they are joined in that room—which the public is kept out of, by the way—by presidents of the Federal Reserve banks in the country, the regional Federal banks.

These people are not appointed by the President. They are not confirmed by the Senate. But they are going to go into the room on a rotating basis. There will be five of them in that room today who will actually cast votes on monetary policy and interest rates. They are not appointed by anybody, not confirmed by anybody. They owe their jobs to the regional Federal Reserve bank boards of directors, the majority of whom are their local bankers. These folks will go into the room representing the local bankers' interests. They will take action to increase interest rates for this country.

The four, today, who will vote—it is a rotating vote—are Mr. McDonough from New York, Kathy Minehan from Boston, Michael Moskow from Chicago, Tom Melzer from St. Louis, and Tom Hoenig from Kansas City. They will, with the Board of Governors, cast votes.

Let me, without being disrespectful, say this—and I emphasize that I am not being disrespectful. I do not have any idea what is in their heads down at the Federal Reserve Board. I would like to have those heads examined to find out what facts are rattling around in those heads that persuade these people that there is a new wave of inflation somewhere on the horizon. What persuades them to put the brakes on the American economy? Who has appointed them to become human brake pads to decide to slow down the American economy? And whose divine notion is it that unemployment in America should never fall below 5 percent, and economic growth should apparently never go above 2½, 3 percent. Where on Earth did these notions come from?

If this country faced credible inflation problems, I would not be here at all criticizing the Federal Reserve Board. We have had four successive years of decreasing inflation. There is no—I emphasize no—credible evidence that we have a new wave of inflation on the horizon. Yet, today, and again, if the pundits are correct, the Federal Reserve Board will take one more step that most surely will put the brakes on the economic progress we have seen and probably move this country toward a recession.

This is not a newfound concern of mine. The Federal Reserve Board operates by itself, in secret, and no, I am not saying let us put politics in monetary policy. I am not saying give to it the Senator from Utah to handle or the Senator from North Dakota or my colleagues in the Senate or the House. But here is a copy of the Constitution. The copy of the Constitution begins with these three words: ''We the people''—not we the bankers, the central bankers or we the Federal Reserve, but ''We the people.'' A question this important, that affects economic growth in this country and the pocketbook of every single American, and especially coming at a time when all of the credible evidence would seem to me to imply that the Fed's policies are wrong, leads me again to ask the question: Why does this continue? By whose authority does this continue?

I hope one day soon that we will discover a Federal Reserve Board that understands that you have two twin economic goals in America. Yes, two: price stability, absolutely, which has been a goal in this country for decades. Price stability and full employment. Price stability and economic growth are the twin economic goals in this country, only one of which this board cares much about. And even at that, when it cares about price stability, it fights the wrong fight at the wrong time.

I have young children who look for dragons under their bed at night because they hear noises and they wonder where does it come from, where does it lurk? Then they read books like Tony the Dragon. When you look at all of the credible evidence, where are the dragons this board looks for? What fights does the Fed wage, that it wins because it has no opponent?

I hope one of these days the American people will get better news from that Federal agency, that dinosaur that still operates in secret when the watchword of American democracy is ''openness.'' Maybe one day there will be enough of us here who care and enough of us here who think alike to believe that reform—yes, reform—ought to touch this institution as well.

A CALL FOR REFORM

Mr. DORGAN. Mr. President, let me turn to one other quick item. I am going to speak about this at greater length later. But I want to touch on it today, because I have watched with amazement in recent days reformers, people who say let us tip everything upside down and shake it, let us change it, let us reform it.

Among that call for reform, joined by many Governors in our country, is a plea by those folks that what we ought to do is decide the Federal Government cannot do anything right, and State governments do everything right, and we ought to have a massive transfer of money, a substantial transfer of resources between the States and the Federal Government, moving, of course, from the Federal Government to the States.

I am willing to concede that the Federal Government has too much waste; it is too bureaucratic, too big. The Clinton administration has taken action to downsize it. One hundred thousand people who used to work for the Federal Government are not working for the Federal Government anymore. At the end of 2 more years, it will be 250,000 people; 250,000 jobs will have