been eliminated. That is downsizing in a real way.

I reject the notion somehow that is being thrown around by the reformers, especially by Governors, who come out with press conferences and television lights and put on a big brassy show and say, ''Here are 250 programs you ought to abolish. Throw all the funding for these programs into a block grant and send us a check.'' These are the very same Governors who are back home busting their buttons, boasting about all the tax cuts back home. They have the gall and brass to come to Washington and say all the things you have done and all that money—send us the money and with no directions. Put it in something called a block grant, and we will take care of it.

Is there no priority for child nutrition in this country? Is that not important? They are asking us to put funding for things like WIC, and other programs dealing with children, in a block grant and send it back to the Governors. We're supposed to let the Governors work with local business interests on economic development grants. If the Governor wants to use the money to help a company from another State build a manufacturing plant in his State, that is, we are told, just fine. Let us let them make those decisions there, because we do not have a national priority on the subject or the issue of child nutrition.

Well, the fact is we do have a priority. We have established a priority over a long period of time. And I am one who does not believe that we ought to decide that get rid of those priorities that have been priorities for a long, long time. We should not just load them up into one big block to send to Governors and say, ''We will make you a deal. We will raise the taxes and then we will send money to you and you figure out how you might want to spend it, while all the while you are boasting back home you are cutting State taxes.''

You want the real conservative answer, Governors, the real answer, then raise the money yourself and spend it yourself.

There is no better way to create fiscal irresponsibility than for one level of Government to raise the money and another level of Government to spend the money.

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

Mr. DORGAN. I ask unanimous consent for 1 additional minute.

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

Mr. DORGAN. We need to talk through this at some length, Mr. President. Because I wonder whether I am the only one that thinks that it is a little strange to have people rush into town to say, on the one hand, that the Federal Government cannot do anything right, and on the other that they would like to continue to have our money. People are telling us to just send the money to the States and let them spend it.

The whole principle of the unfunded mandates bill, which we just passed here on the Senate floor, was that those who raise the money should decide how to spend the money. Governors and mayors were complaining mightily that we in Washington violate this principle.

Even as we dealt with the unfunded mandates bill, it was interesting to me that in many jurisdictions they were busy hooking their hose to the Federal tank, siphoning money out of here with bogus plans, such as the provider tax under Medicaid and others.

Well, reform works both ways. Responsibility works both ways. And I hope one of these days we can have a thoughtful discussion about who does what better, which things are important, which must be saved, which must take priority. I think there is room for all of us to have a thoughtful discussion about this, and I intend to say more about it in the days ahead.

Mr. President, with that, I yield the floor.

Mr. BRADLEY addressed the Chair.

The PRESIDING OFFICER. The Senator from New Jersey, under the previous order, is recognized to speak for up to 15 minutes.

THE MEXICO CRISIS IN CONTEXT

Mr. BRADLEY. Mr. President, anyone attuned to the news over the past 6 weeks has been subjected to a daily barrage of articles and statements on Mexico's economic crisis. We read of devaluations, floats, and market slides. We hear of lines of credit, loan guarantees, IMF programs, and conditionality. We follow the daily barometers of President Clinton, Secretary Rubin, Majority Leader DOLE, and Congressman LEACH.

What we have not been getting, however, is an adequate sense of the social and political context for Mexico's troubles. But Mexico is not just an economist's case history. Mexico is a country, with people and history. Unless we understand how the current financial crunch grew out of and, in turn, affects Mexico's political and social dynamics, we will not be capable of developing a response that works for Mexico or in the Congress for us.

The financial dimensions of the Mexico problem are well understood. Like many developing countries—such as the United States in the 19th and early 20th centuries—Mexico imports foreign capital to finance growth. However, because of its relatively low domestic savings rate, Mexico's appetite for foreign capital is exceptionally high. In a sense, Mexico is similar to the United States in the 1980's, financing investment from the savings of foreigners. In 1994, for example, Mexico imported a net $28 billion in foreign capital, 8 percent of its GDP.

Less than half of that $28 billion was invested in productive assets, such as plant and machinery. The rest was volatile portfolio investment, known with justification as hot money. What made this money even hotter was the fact that much was invested in short-term debt that matures in bunches. As a result, the Mexican Government must find the resources to redeem or rollover around $52 billion in debt in 1995.

Mexico, like any other country, can attract capital from abroad only as long as investors remain confident that the return compensates for the perceived risk. This requires investor confidence in Mexico's economic, political, and social stability. It also requires relatively high interest rates, declining inflation, and a stable currency—in other words, relatively high return for relatively low risk.

The Salinas government in the late 80's cut their internal budget deficit by the equivalent of three Gramm-Rudmans. Inflation plummeted, privatization exploded. Protectionist barriers and government subsidies came tumbling down. Mexico pursued a strong peso policy both as an end in itself and as a symbol of the new Mexico. This led the Salinas government to resist the economic forces that threatened to push the peso down and, in the short run, it was successful.

Just over a year ago, the North American Free-Trade Agreement came into force and gave a huge boost to investor confidence in Mexico. However, on the very day NAFTA took effect—January 1, 1994—the Zapatista revolt began in Mexico's Chiapas State. That revolt was an attack on democratic forces from the left. Thus began a year in which social and political, as well as economic, events undermined investor confidence in Mexico. As the year unfolded, we witnessed the assassination of the ruling party Presidential candidate, and the assassination of the ruling party secretary-general amid allegations of involvement by party dinosaurs. These were attacks on democratic forces in Mexico from the right.

At the same time, the peso came under increasing economic pressure as the PRI-dominated Government turned on the fiscal and monetary taps for the elections to win the first really contested election in Mexico's history.

There was another joker in the pack, one the Mexican Government could not control. That was the Federal Reserve's decision to raise United States interest rates. The higher yields made American securities more attractive relative to Mexican securities. Because a high percentage of the capital flowing into Mexico came not from banks, as in the 1970's and 1980's, but from mutual funds and pension funds, the impact of higher American rates was magnified.

According to a study by Guillermo Calvo, professor of economics at the University of Maryland, much of the mutual fund money that flowed into Mexico came more as a response to lower interest rates in the United

States than as a result of a profound understanding of Mexican economic fundamentals. When interest rates rose in the United States during 1994, this money was ready to bolt out of Mexico.

So, when the Zapatistas moved again last December, jittery foreign investors began converting their money into dollars and taking it out of the country. Mexico's foreign reserves melted away. The Government botched the resulting peso devaluation. The markets smelled fear, and the rout was on.

Governments and international financial institutions, viewing the problem as a liquidity crunch, have prescribed standard fiscal and monetary responses, which are designed to reduce domestic consumption and make exports more competitive by lowering real wages. In other words, the economists are prescribing recession to reduce the demand for foreign capital.

That is why the economists oppose political conditionality so strongly. For inserting a requirement that Mexico's wages rise in line with productivity or that Mexico try to repeg the peso at 3.5 to the dollar destroys the economic underpinning for eventual recovery.

However, the economic cure ignores Mexico's political and social context. It ignores both the pacto which lay at the heart of the Mexican model, and the new social pact upon which President Zedillo based his legitimacy.

Ernesto Zedillo was elected head of state of a country exhausted by a decade of economic reform—three Gramm-Rudmans in a matter of 4 or 5 years—and hungry for justice. He took over a population unwilling to continue to sacrifice for the benefit of others.

Zedillo promised the Mexican masses a share in the prosperity bought with their sacrifice. He promised more open politics and an overhauled justice system. He promised a secondary education to the 45 million Mexicans under age 19. In short, unlike Boris Yeltsin in Russia, he promised his people a vision.

However, Zedillo's vision threatened old-line entrenched interests in Mexico. It threatened an end to the old PRI-government gravy train. Since Zedillo does not head an old-style Leninist party, he lacks the brute party power of his predecessors to override opposition and implement his vision. In fact, he is presiding at the time when a regime is in greatest danger, the time when it tries to reform.

The only way to square the circle is economic growth, not just the 5 percent necessary to create a million jobs a year, but enough to spread the benefits to the masses and at the same time buy off the party dinosaurs, who would like nothing more than to regain their subsidies and deny the people a real voice. This growth was the instrument promised by NAFTA. It is the instrument which the crisis has taken out of Zedillo's hands. Having lost the instrument, Zedillo will be hard pressed to restore the vision.

We see the erosion already. Chiapas is active. The opposition PRD party has taken new life. As have the PRI dinosaurs. For example, when President Zedillo concluded a pact with three opposition parties that would have removed the PRI Governors of Chiapas and Tabasco States, who won disputed elections, the Governor of Tabasco brought his supporters into the streets. When President Zedillo was scheduled to announce the new social compact, the industrialists and labor leaders balked, forcing him to cancel a nationwide TV address and reveal the extent of his obligation.

This, then, is the context for the loan guarantee debate. How can the Mexican Government negotiate the fine line between financial meltdown and social-political meltdown? Let me suggest a few guidelines.

First, the United States needed to act quickly to shore up Mexico's financial system. The President has acted because the Congress delayed. If Mexico's financial system collapses, there is no hope of generating the needed growth, now or in the future. The President's support package is not to bail out Wall Street, or even individual American investors, but to give Mexico the chance to grow into social and political stability and become an even better market for American exports that create American jobs.

If Mexico's financial system collapsed because the Americans reneged on a promise—if having announced the $40 billion loan guarantees, the administration was unable to deliver anything—we would have put at risk a decade of changing Mexican attitudes toward the United States. We would have confirmed Mexico's traditional anti-Americanism that is now latent, but still lurks just beneath the surface.

Now we have a support package, we have a support package. But that package only buys time. It is up to the Mexican Government to put that time to work to generate popular support for the continued sacrifices necessary to overcome this financial setback.

So the second step must be for the Mexican Government to return decisionmaking on Mexico's economy to Mexico City. The Mexican Government must develop, announce, and implement itself a plan to pull Mexico through the crisis and prevent this problem from happening again.

That plan must not simply prescribe recession as the cure for Mexico's current account ills. It must hold out a way to grow and reduce the risk of hot money at the same time. Otherwise, Mexico is consigned to a continuing cycle of recession and currency crisis—social crisis and economic crisis.

To grow without generating a crisis, Mexico must finance more of its growth itself. That means the Mexican Government plan must increase Mexico's savings rate. The Asian dragons, for example, enjoy sources of domestically generated capital resulting from savings rates twice as high as Mexico's.

The Government plan must also encourage foreign direct investment over portfolio investment. Investment in productive assets both implies an understanding of the underlying fundamentals that reduces volatility and is more difficult to pull out with a panicked phone call.

There are many ways to do this, as countries as diverse as Chile, Indonesia, and Thailand have shown. Capital controls, however, are not an option. The means to shift the balance in favor of foreign direct investment must increase the integration of the Mexican economy, not its isolation.

It should be clear that this plan cannot be dictated by Washington. No Mexican Government can allow Washington to load up support with a wish-list of conditions and still generate the popular support required to carry it out. If we need a support package to make the economic plan work, we need a clean package to let the economic plan work.

Third, and finally, the Mexican Government must broaden its legitimacy among the Mexican people. Only democracy or dictatorship will see Mexico through the sacrifices President Zedillo will be asking of his people. Mexicans who are asked to sacrifice for the good of the system will also want a say in that system. Zedillo made an important statement with his four-party pact to open up the political system, but may be backing away in the face of resistance from the dinosaurs. That simply cannot happen.

There are those who say that we can contain the fallout if Mexico goes belly up, that, despite dire predictions of systemic risk, this is a problem, not an emerging market problem. Mexico's crisis results from the market's misjudging of the balance between risk and reward in Mexico's financial markets, this argument goes. An investment that was profitable in, for example, the Philippines 2 months ago should still be profitable.

I ask unanimous consent for 1 minute.

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

Mr. BRADLEY. Unfortunately, our vulnerability is deeper than this. Many emerging markets have gotten out of control and are due for a readjustment. Investors have been blinded by high returns in many developing countries.

Thus far, outside of Mexico, investors are merely chastened, not panicked. We can expect to see a sounder evaluation of the risk-reward trade off that will play out over time. But, if Mexico melts down, we could well see the bubble burst in a global withdrawal from emerging markets. We and our OECD partners are not equipped to handle a worldwide panic that would produce a collapse in the fastest growing export market we now have and, prospectively, the biggest source of continued worldwide growth.

So it is not only investors and developing countries who should view Mexico as a wake up call. We in the OECD and the international financial institutions must begin now to put in place the institutional arrangements to handle the next Mexico. The United States simply cannot be the permanent ad hoc lender of last resort.

The current Mexico faces a long road as it pursues democratization and economic reform. During the NAFTA debate, we heard why Mexico's success is important to us in the United States. We need a stable, democratic and prosperous neighbor to our south for reasons of our own stability, democracy, and prosperity.

Nothing that has happened since December 20 has changed that calculation. We cannot turn our backs on Mexico, and Mexico cannot lose faith with itself.

Mr. GRAMS addressed the Chair.

The PRESIDING OFFICER. The Senator from Minnesota [Mr. GRAMS].

BALANCED BUDGET AMENDMENT

Mr. GRAMS. Mr. President, I rise today in support of a balanced budget amendment to the Constitution.

Last November, the American people sent a message loud and clear to Washington. I know first-hand, having heard this message in cafes and town hall meetings all across the State of Minnesota.

It is a simple message, with all the wisdom and common sense of the people who sent it. And yet, it is a message that Congress has failed to heed until this year.

It is time to change the way Congress taxes and spends the people's money.

This message is the same, whether I hear from parents worried about the economic future of their children, workers who fear the impact of the deficit on their jobs, or families who manage each year to balance their own books.

Cut spending, balance the Federal budget, and start getting this country out of debt. Mr. President, the balanced budget amendment is the first step on the long journey toward restoring fiscal sanity to Washington.

Mr. President, the statistics are clear: Our Nation currently faces a $4½ trillion debt. That means every child born in America is immediately saddled with nearly $20,000 in debt. And at the rate we are going, these numbers increase every year, taking with them the future of our children.

If America were a business, it would have been forced into bankruptcy years ago, with each Member of Congress liable for breach of duty. In previous centuries, there was a place for those who made a habit of spending more than they brought in: it was called debtor's prison. Today, it is called Congress.

Now, some in this body would argue that there is no need for a balanced budget amendment to the Constitution. And they might have a case if we were talking about anyone else but Congress. After all, there are laws all over the books to prevent the accumulation of unmanageable debt.

But what happens when those who break the laws are those who make the laws? Simple. They ignore them.

Only the Constitution and the moral authority it represents will force Congress to do what it is supposed to do, what we were elected to do.

And only by passing a balanced budget amendment can we hope to show the American people that we will do our job and carry out the mandate they delivered last November.

Minnesotans have joined me in calling for a balanced budget amendment. It is not a new concept in our State. In fact, the first balanced budget amendment to the Constitution was sponsored in the 1930's by—not surprisingly—a Minnesotan, Congressman Harold Knutson. But like so many balanced budget amendments after it, it was left to die in committee.

Well today, more than 50 years later, we have the opportunity to complete Representative Knutson's work. And his idea that was good in the 1930's is still good today, and it ought to become part of the Constitution.

In following the balanced budget amendment, however, we must be careful that our efforts to balance the budget come through cuts in spending and not tax increases. Taxpayers did not cause the budget deficit, Congress did, and it would be unfair, unjust and unwise to cover up the irresponsible behavior of Congress by punishing taxpayers, through new taxes or higher taxes.

For that reason, I introduced my own version of the balanced budget amendment which requires that any legislation to increase taxes be approved by a three-fifths supermajority vote. It is based on the idea—unheard of in Washington—that it should be more difficult to tax away the people's hard-earned dollars then to spend them.

By requiring a supermajority vote, my legislation would protect taxpayers and put the burden on Congress to come up with the cuts.

While I prefer this version of the balanced budget amendment, I do not believe the perfect should be the enemy of the good. We can have a constitutional limitation on tax increases, and I plan to work with the chairman of the Senate Judiciary Committee to pass one.

But that can come at a later date. The House has scheduled a vote on such an amendment for April 15 of next year. I will urge the Senate to follow suit.

Believe me, we will pass a taxpayer protection clause to the Constitution. But let us pass the balanced budget amendment first.

And to those who might try to derail the balanced budget amendment, through killer amendments or parliamentary tactics, I ask you to think twice. I ask you to think about the impact that continued deficit spending will have on our economy, on the people's faith in their Government, and most importantly, on our children. Because it's their future we're mortgaging away with every new governmental program, with every additional dollar of debt we rack up.

When I decided to run for Congress, I did so because I was frustrated with the way our Government was being run.

Growing up on a dairy farm in Minnesota—where we did not have a lot of money, where we worked hard and cleaned our plates—taught me a lot of lessons about life. Most importantly, it taught me the fundamental principle that you should not spend what you do not have.

What kind of lessons are we teaching our children when Congress spends this country $4½ trillion in debt and what will their future be like when they are forced to pay off our bills?

I do not want my kids or grandkids to grow up wondering why we left them holding the bag.

We have to do something now. And the balanced budget amendment is the first step.

For those reasons, I urge my colleagues to pass the balanced budget amendment without delay. Because every second we push this vote off is another dollar we take away from our kids. And our kids deserve better, our country deserves better.

Thank you, Mr. President. I yield the floor.

RAISE THE MINIMUM WAGE

Mr. KENNEDY. Mr. President, many of us in the Senate on both sides of the aisle support an increase in the minimum wage, and it is clear that the vast majority of the American people support an increase, too.

Last month, the Los Angeles Times conducted a poll of citizens across the country. As the results demonstrate, raising the minimum wage has extraordinarily high support across the entire spectrum of income groups, political party, and every other category, with the possible exception of the House Republican leadership.

Mr. President, I believe that the Los Angeles Times poll will be of interest to all of us in Congress, and I ask unanimous consent that it may be printed in the RECORD.

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

As you may know, the federal minimum wage is currently $4.25 an hour. Do you favor increasing the minimum wage, or decreasing it, or keeping it the same? (''Eliminate'' was a volunteered response)