

take on anything else you can assign to him.

Sam is also our resident historian, defender of Thomas Jefferson, source of quotes that elucidate the wisdom of Winston Churchill and repository or precedents established in the Senate, the House of Representatives and the English Parliament. He is a partisan of good clear prose, a lover of poetry and our committee's best legislative draftsman. I cannot imagine the Energy and Natural Resources Committee without him. I am glad to call him my chief counsel. •

COMMEMORATION OF THE 100TH ANNIVERSARY OF THE FOUNDING OF MACKINAC STATE PARK

Mr. LEVIN. Mr. President, I rise today to commemorate the 100th anniversary of the founding of Mackinac Island State Park. From the island's beginnings as a fort fought over by the French, British, and Americans, to the peaceful calm of a historical vacation spot enjoyed by many, Mackinac Island State Park and the waters surrounding it are a rich and important part of our Nation's frontier and exploratory history.

Mackinac Island State Park became Michigan's first State park in 1895 after its transfer to the State from the Federal Government, ending its 20-year tenure as the Nation's second national park. The Mackinac Island State Park Commission was founded in 1895 to supervise the Mackinac Island State Park, including the 14 historic buildings comprising Fort Mackinac, which were built by the British Army in the late 18th century.

In 1904, the commission took on the administration of the site of Colonial Michilimackinac, established by the French in 1715 in Mackinac City and later dismantled and moved to Mackinac Island by the British. The area had been a fur-trade community, full of life and color. In 1975, the water-powered sawmill and 625-acre nature park known as Mill Creek were added to the land overseen by the commission. Mill Creek is located southeast of Mackinac City on the shore of Lake Huron. Over the years, the acquisition of land by the commission has led to a beautiful State park consisting of 1,800 acres and enjoyed by more than 800,000 visitors each year.

Mackinac Island State Park is dear to the hearts of many Michigan residents and visitors alike. The smell of Mackinac Island fudge brings childhood memories back to many a visitor while the clip-clop of horse hooves and the ring of bicycle bells on the automobile-free island recalls a by-gone time.

Mackinac Island State Park is a vital part of Michigan's history. It is home to the State's oldest known building still standing and the longest porch in the world, located at the opulent Grand Hotel. I know many people in Michigan and around the world will join me in

celebrating the jewel of the Great Lakes in the commemoration of its 100 spectacular years.

LOWER MILITARY SPENDING YIELDS HIGHER GROWTH

• Mr. SIMON. Mr. President, I refer to my colleagues an article from the July 15 issue of *The Economist*. The article discusses the economic impact of reduced military spending in light of worldwide declines in defense budgets over the last decade. While the impact of such a peace dividend is difficult to calculate, the article brings up an interesting point:

In the long run, most economists think that lower defense spending should stimulate growth. One reason for this is that cash can be switched from defense to more productive areas such as education. A second is that smaller military budgets should lead to lower overall government spending, hence lower borrowing than would otherwise have been the case. As a result, interest rates should be lower, stimulating private investment.

The article also refers to a recent IMF study which finds a clear relationship between lower military spending and increased economic growth. It concludes that a 2-percent per capita rise in GDP will result from the decreased spending worldwide in the late 1980's. Its authors also estimate that if global military spending is reduced to 2 percent of GDP—the United States currently spends 3.9 percent—the dividend will eventually lead to a rise in GDP per head of 20 percent.

I bring this to light as we consider increasing military spending by \$7 billion, while making deep cuts in education, job training, health, and programs for the poor. Already, our Nation spends more on the military than the next eight largest militaries combined. It is a mistake to turn back against global trends to a course which, in the long run, will lead to lower growth and hurt our international competitiveness.

This Congress skewed priorities of spending more on the military and less on social investment will nullify the dividend we hope to reap through balancing the budget and lowering interest rates. Simply put, investment in a B-2 bomber creates a plane that sits there incurring operating costs, but investment in a child's education creates opportunity, productivity, and long-lasting benefits to society.

I ask that the article be printed in the RECORD.

The article follows:

[From the *Economist*, July 15, 1995]

FEWER BANGS, MORE BUCKS—SINCE THE END OF THE COLD WAR, MILITARY SPENDING HAS DECLINED IN MOST COUNTRIES, YET THE PROMISED "PEACE DIVIDEND" IS PROVING ELUSIVE

Francis Fukuyama, an American political analyst, claimed in 1989 that the collapse of communism heralded the end of history. Few believed him, but many looked forward to the end of at least one aspect of the cold war: high defence spending. No longer would

countries waste precious resources building tanks and bombs. Instead, they could use the cash for more rewarding activities: higher social spending, more capital investment or increased aid to the world's poor. Was this optimism warranted?

That overall defence spending has fallen is uncontested. According to the United Nations' latest World Economic and Social Survey, world military expenditure decreased at an average rate of 7.2% a year between 1988 and 1993. The biggest declines came in former Warsaw Pact countries, where defence spending fell by an average of over 22% a year. In America, it fell by 4.4% a year (though the Republican Congress is planning to stem this decline). The cuts are not as steep as some had hoped; but the share of GDP devoted to military spending has fallen everywhere (see chart).

Assessing the economic impact is harder. One crude notion is to calculate what countries would have spent on defence without the cuts. A previous UN report in 1994 suggested that had governments maintained their defence budgets in real terms from 1988 to 1994, global defence spending would have been \$933 billion higher than it was. That suggests a peace dividend of almost \$1 trillion. But such a calculation is flawed: 1987 was a year of high defence spending; had another base year been chosen, the dividend would probably be lower. More important, the sums fail to take into account the broader economic impact of reduced defence spending.

As with any big reduction in public spending, defence cuts tend to reduce economic activity in the short term. That may cause unemployment to rise, particularly in regions where defence-related industries are heavily concentrated. Between 1988 and 1992, for instance, the increase in the unemployment rates of the four American states that are most dependent on defence spending—Connecticut, Virginia, Massachusetts and California—was some two-and-a-half times greater than that in the rest of the country. Such regional effects often make defence cuts politically awkward.

In the long run, however, most economists think that lower defence spending should stimulate growth. One reason for this is that cash can be switched from defence to more productive areas such as education. A second is that smaller military budgets should lead to lower overall government spending, and hence lower borrowing, than would otherwise have been the case. As a result, interest rates should be lower, stimulating private investment. Some economists also argue that lower defence spending will result in fewer distortions in an economy. They point in particular to anti-competitive mechanisms that often feature in military contracts or the trade preferences given to military imports.

But big defence budgets can also have positive side-effects. In countries such as South Korea and Israel, spin-offs from military research and development have helped to foster expertise in civilian high-technology industries. In poor countries with low levels of education and skills, military training might be a good way to improve the educational standard of the workforce. During the cold war some poor countries also relied on the rival superpowers not just for military assistance, but also for other aid. If their erstwhile benefactors cut this aid along with military support, it might leave them with fewer resources overall.

Until recently, there has been little conclusive evidence about the long-run economic impact of lower defence spending. This is partly due to the difficulty of getting