

earlier. I still believe more is needed, and for that reason, I tend to support amending it to address some of President Clintons additional concerns. If we moderate this bill sufficiently, then I am hopeful that we can arrive at a version the President could sign and implement. If we do not, then there is the risk that the President might feel forced to veto it.

I do believe in my heart, however, that Jerusalem is truly and rightfully the capital of Israel. Once that premise is accepted, there can be no other choice but to move our Embassy there, whether it be now or in the near future. I therefore hope we can arrive at more flexible, consensus-based language that will enable everyone—the Senate, the administration, the Jewish-American community, the American people at large—to support this bill.

To repeat, the important thing here is that eventually it be moved, but specifying the day, the hour, the minute, or the week or the month even is not up to Congress, it is up to the Executive to make that decision.

I yield the floor.

Mr. SMITH addressed the Chair.

The PRESIDING OFFICER (Mr. GRAMS). The Senator from New Hampshire.

Mr. SMITH. Mr. President, I rise in very strong support of the resolution before us to provide for the relocation of the United States Embassy in Israel to Jerusalem where it rightfully belongs and has belonged. This is something that I feel very strongly about and of which I am proud to be an original cosponsor when it was introduced by the distinguished majority leader, Senator DOLE.

As Congress and the executive branch grapple with the various issues of national policy, oftentimes we tend to overlook what is most compelling and what is most fundamental in terms of right and wrong. Despite the best of intentions, the best of motives, by all parties on both sides, occasionally we seem to lose sight of the forest for the trees. When this happens, we owe it to ourselves, as a legislative body, but also to our constituents and, frankly, to the very issue of morality itself, to make amends, to do the right thing, to remedy a wrong. Today, with this legislation, we have that historic opportunity; that is, recognizing, by putting our Embassy there, that Jerusalem is the rightful capital of the State of Israel.

Mr. President, Jerusalem is the eternal capital of the State of Israel. It has been and, in my opinion, forever will be a shining symbol of faith, of inspiration and tradition, not only to the Jewish people but Christians and Moslems as well. No other place on Earth holds such a unique and rich history as this holiest of holy cities, and no other place in all the world can reasonably be considered the capital of Israel.

I think, in the legislation before us, we see in our findings a sampling of many of the reasons, which are really

quite obvious. But to recite a few of them, and I know they have been stated before, I do not think it hurts to reinforce the importance of these findings:

No. 1, that each sovereign nation under international law and custom has the right to designate its own capital. Israel has done that. Since 1950, the city of Jerusalem has been the capital of the State of Israel. The city of Jerusalem is the seat of Israel's President, Parliament, supreme court, and the site of numerous Government ministries and social and cultural institutions.

Jerusalem is the spiritual center of Judaism. It is also considered a holy city by the members of other religious faiths as well.

Historically, from 1948 through 1967, Jerusalem was a divided city, and Israeli citizens of all faiths, as well as Jewish citizens of all states, were denied access to holy sites in the area controlled by Jordan. But in 1967, the city of Jerusalem was reunited during the conflict known as the Six Day War.

Since 1967, Jerusalem has been a united city administered by Israel, and persons of all religious faiths have been guaranteed full access to holy sites within that city by Israel.

In March 1995, 93 Members of the U.S. Senate signed a letter to Secretary of State Warren Christopher encouraging planning to begin now for relocation of the U.S. Embassy in the city of Jerusalem. Well, now is the time, Mr. President, to make that happen. The United States maintains its Embassy in the functioning capital of every country, except in the case of this, one of our most loyal allies and strategic allies, the State of Israel.

In 1996, the State of Israel will celebrate the 3,000th anniversary of the Jewish presence in Jerusalem since King David's entry. I think the facts, Mr. President, in this bill speak for themselves, and I certainly commend its authors—especially Senator DOLE—for pointing out those facts. But it is troubling that the U.S. policy with respect to the status of Jerusalem has been less than clear.

Reasonable people can disagree on the best means to achieve peace in the Middle East, but that is another issue. That is not the same issue, Mr. President. On the question of Jerusalem, there is only one inescapable conclusion: It is now, has been in the past, and forever will be and should be the capital of Israel. That is the plain and simply truth.

The United States maintains diplomatic relations with over 180 nations and, of these, as indicated in the findings of the bill, Israel is the only nation in which our Embassy is not located in the functioning capital. We say Tel Aviv, but we do not have the right to say Tel Aviv. Israel has the right to choose its capital; it has done so, and we should honor that. How do we justify anything else? How do we explain this to our friends in Israel,

who have endured such hardship and remained true to the principles of democracy throughout the years? The answer is that there is no justification for not doing it. This is a terrible oversight, and it should be corrected.

The legislation offered by the majority leader does correct this wrong. It initiates the long overdue process of moving the U.S. Embassy to Jerusalem but more importantly, Mr. President, moving it to Jerusalem by a date certain—May 31, 1999.

I understand that the administration, unfortunately, opposes this legislation. I do not think their arguments have much merit—they do not have any merit, and they lose sight of the real issue. This is not about executive-legislative turf battles, Mr. President. It is about what is right and wrong. It is about the right of a sovereign nation to choose its capital and to have the United States and other countries of the world honor that by putting their embassies in that capital. It is about precedent, it is about history, it is about culture and recognition, and it is about changing a misguided policy. I say to my friends in the administration, correcting such an injustice and doing what is right is more important than perpetrating some inside-the-beltway turf war between the Congress and the executive branch. This is much bigger than that; it is much more important than that.

Jerusalem is the capital of Israel. The U.S. Embassy belongs in Jerusalem. I urge the adoption of this legislation.

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

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

Mr. GREGG. I ask unanimous consent to proceed in morning business for up to 10 minutes.

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

BALANCING THE BUDGET

Mr. GREGG. Mr. President, I heard earlier a discussion on this floor from a number of Members on the other side, specifically the Member from California and the Member from North Dakota about the effects of the coming debate or the implications of the coming debate on the matter of balancing the budget relative to tax policy.

First, I think it should be noted once again for the record that for the first time in 25 years this Congress, this Senate, is going to get the opportunity to take up the issue of balancing the budget. For the first time in 25 years there will be on the floor of this Senate a reconciliation resolution which, if passed by this Congress and agreed to

by this President, will lead to a balanced budget by the year 2002.

That fact is certified by the Congressional Budget Office, the fair arbiter, as we have all agreed around here, including the President during his first speech to Congress, of the number-scoring process.

We have a major opportunity, probably the most significant opportunity—clearly the most significant opportunity in the last 25 years to bring under control the spending of this country.

The purpose of doing this is really rather simple, as has been discussed before. It is to give our children a chance to have a prosperous lifestyle, to pass on to the next generation the opportunity to live in a Nation which is fiscally solvent.

If we do not take this action, I think the matter has been well debated, and generally agreed to, that the next generation will have very little opportunity for prosperity, that they will be given a country which is insolvent, that they will be faced with a Nation where we will probably have to grossly inflate our money supply, creating economic havoc as children move into their earning years, as our children move into their earning years, in the period of their twenties and on.

So we as a Congress stepped up to this matter. At least as a party we have stepped up to the matter. We have produced a budget which is in balance. As a result of producing that budget in balance, certain very good things happen.

First, of course is the point that our children will have a shot at an economically solvent future. A more immediate event occurs, which will assist almost all Americans, or at least all Americans who borrow money—which is I suspect almost all Americans.

That is, that under a generally accepted view of economists and once again the Congressional Budget Office, the interest rates in the economy generally will drop as a result of passing a balanced budget and having it be in law by approximately 2 percent.

What does that mean? It means if you are borrowing to buy a new home, that the interest rates you will have to pay on that new loan will be 2 percent less. That translates into literally thousands of dollars for middle-income Americans seeking home ownership.

It will mean if you are going to school as a student that your interest rates will probably be at 2 percent less than what they are today, meaning you will be able to go to school longer or get out of school with less debt—either one being a very positive aspect of this.

It means if you buy a car or household goods or you improve on your home or you are simply borrowing money because it is necessary due to some circumstances of your lifestyle, that the cost of borrowing that money will drop rather significantly.

It also means good news for the Federal Government. It means that our rate of interest will drop by 2 percent.

As a result, CBO has said that we will receive over the next 7 years, because we have put in place this balanced budget, a windfall, if you wish to describe it that way, or dividend if you wish to describe it that way, or approximately \$170 billion in savings on the cost of paying for the Federal debt, the interest.

We have taken that \$170 billion and we have passed it back to the taxpayers of this country. We have said—the Republicans in this Senate—that if we are going to balance the budget and we are going to reduce the size of growth of the Federal Government, we ought to return to the people who support this Government and who are the underpinnings of our Nation, the taxpayers specifically, that they ought to be able to participate in the benefits of this event of balancing the budget.

So we have decided to use this economic dividend, this drop in interest rates which generates \$170 billion, and return it, return it directly to the taxpayers.

Now we have heard a lot from the other side about the fact we should not have any tax cut, that there should be no tax cut at all, that there should be no return to the taxpayers of this country of putting in place a balanced budget.

Of course, they do not want a balanced budget, so you can probably understand the fact they do not want to return the money to the taxpayers, but it seems to me a little crass and unfeeling and unkind to say to the taxpayers of this country who have been supporting the largess of this liberal Government for the last 40 years when it finally gets its act together those taxpayers will not receive any of the benefit.

We are not going to take that on this side of the aisle. We are going to suggest that that money flow back to the taxpayer.

We also heard first they do not want a balanced budget, or a real balanced budget, put it that way. They want something like the President sent up here that CBO scores as being out of balance for as far as the eye can see—for at least \$200 billion a year, adding \$1 trillion of new debt to our children's backs over the next 7 years.

They do not want a real budget. They want some sort of gamesmanship budget. They will not support our balanced budget which has been scored as a real balanced budget. They do not want a tax cut.

Furthermore, not only are they opposed to a balanced budget and opposed to a tax cut, they come to the floor and misrepresent the tax cut that is before the Senate. I heard a number of Members on the other side, or at least two, state that that tax cut is just going to the wealthy, that this economic dividend which we are going to use to send back to the taxpayers of this country which is their right and due reward for having a balanced budget, is just going to go to the wealthy.

Somebody ought to refer them to real figures. Maybe CBO figures, for example, rather than OMB figures. Under those figures, we will talk about where the benefit of that tax cut goes.

Mr. President, 84 percent—84 percent of the benefit of that tax cut flows to people with incomes under \$100,000; 77 percent of the benefit of that tax cut goes to people with incomes under \$75,000. Maybe we have a new definition of "wealthy" coming from the Members of the other side of the aisle. If you make up to \$75,000 in this country you are suddenly wealthy. I do not think so.

If 77 percent of the economic benefit of the tax cut goes to people with incomes under \$75,000, I say a vast majority of the tax cut, at least three-fourths of the tax cut goes to people with moderate and lower incomes.

This is only logical, because if you look at what the terms of the tax cut are, they are clearly targeted progressively on assisting especially moderate income families. First, of course, is the \$500 tax credit for children.

This does not in any way put the average family into the type of position that they were in, say, back in the 1940's and 1950's, when you could have a single earner in a household and maintain a family, and about 3 percent of your income went to the Federal Government. Today, unfortunately, 24 percent of your income goes to the Federal Government.

But, in order to try to alleviate in some minor way—and actually it should be fairly significant for many people—the cost of raising a family in this country, and especially the tax cost of being a moderate-income family, we have said we are going to put in place a \$500 tax credit. That is a fairly reasonable proposal.

So, if you have children—one, two, three, four—you can multiply the number of children you have by \$500 and that is how much you are going to get back as a tax credit. This tax credit, by the way, phases out as your income goes up. For very high-income people there is no tax credit. So it must be fairly logical, since this is the largest part of the tax cut, it clearly flows to people with moderate incomes, under \$75,000, who have families. So when you say the tax cut is going to the wealthy, when I hear that statement from the other side of the aisle, it is either, first, disingenuous; second, uninformed; or, third, potentially misleading.

Then look at some of the other proposals we have. We have a spousal IRA. Again, it phases out as your income goes up, so high-income people do not have the benefit. So, clearly, low- and moderate-income individuals will have that benefit.

We have elimination of the marriage tax penalty, again for middle- and low-income individuals who find themselves, because they got married, actually paying more taxes than if they had remained single and been filing the

same type of returns. That is an unfair and unique quirk of our tax laws which has existed too long and needs to be changed.

So, we have put in place in this tax package the tax benefits which are targeted directly on, essentially, the middle- and moderate- and to some extent low-income families, to the extent they pay taxes, in this country. So it is a blatant misrepresentation to come to this floor and say this tax cut goes to the wealthy. It is equally unfair and inappropriate to come to this floor and suggest there should be no tax cut at all if we actually have a balanced budget, when you are not even willing to vote for the balanced budget. There seems to be something inappropriate in taking that position.

So, as we go forward on this debate, I hope he will look at the hard numbers, at the real substantive action rather than the political hyperbole. I hope we will step back from this attitude, which the White House seems to be taking, which is to pick a constituency a day to scare through misrepresentation, and, rather, inform people as to what is actually happening. Because, if people look at the facts of this situation, they will come to two very clear conclusions. First, if we do not do something fairly soon, this country is going to find itself unable to remain financially solvent; and, second, if we follow the program put forward by the Republicans in the Senate and in the House, which leads to a real balanced budget, we will be able to pass on to our children a country which is financially solvent and one where they have an opportunity for prosperity. We will be a generation which passes on to the next generation opportunities that exceed even those that were given to us by our parents.

If we fail to take this action, we will, of course, be the opposite, the first generation in the history of this country which will pass less on to our children than was given to us by our elders. That is not acceptable, it is not right, and it is not fair. That is why I strongly support the reconciliation bill that will be coming forward toward the end of this week.

Mr. President, I appreciate the courtesy of the Chair and yield such time as I may have.

Mr. President, I make a point of order that a quorum is not present.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

A reminder to the Senator from South Carolina that, under unanimous consent, 20 minutes of debate will begin at 20 minutes before 6, equally divided between both sides, dealing with the Dorgan amendment to S. 1322.

Mr. HOLLINGS. Very good. I thank the distinguished Chair.

THE BUDGET

Mr. HOLLINGS. Mr. President, what I want to do, right quickly is, first to put in the RECORD the letter of October 20 from June E. O'Neill. I ask unanimous consent to have the letter from the Congressional Budget Office printed in the RECORD at this particular point.

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

BUDGET TABLES
[Outlays in billions]

Year	Government budget	Trust funds	Unified deficit	Real deficit	Gross Federal debt	Gross interest
1968	178.1	3.1	-25.2	-28.3	368.7	14.6
1969	183.6	-0.3	+3.2	+2.9	365.8	16.6
1970	195.6	12.3	-2.8	-15.1	380.9	19.3
1971	210.2	4.3	-23.0	-27.3	408.2	21.0
1972	230.7	4.3	-23.4	-27.7	435.9	21.8
1973	245.7	15.5	-14.9	-30.4	466.3	24.2
1974	269.4	11.5	-6.1	-17.6	483.9	29.3
1975	332.3	4.8	-53.2	-58.0	541.9	32.7
1976	371.8	13.4	-73.7	-87.1	629.0	37.1
1977	409.2	23.7	-53.7	-77.4	706.4	41.9
1978	458.7	11.0	-59.2	-70.2	776.6	48.7
1979	504.0	12.2	-40.7	-52.9	829.5	59.9
1980	590.9	5.8	-73.8	-79.6	909.1	74.8
1981	678.2	6.7	-79.0	-85.7	994.8	95.5
1982	745.8	14.5	-128.0	-142.5	1,137.3	117.2
1983	808.4	26.6	-207.8	-234.4	1,371.7	128.7
1984	851.8	7.6	-185.4	-193.0	1,564.7	153.9
1985	946.4	40.6	-212.3	-252.9	1,817.6	178.9
1986	990.3	81.8	-221.2	-303.0	2,120.6	190.3
1987	1,003.9	75.7	-149.8	-225.5	2,346.1	195.3
1988	1,064.1	100.0	-155.2	-255.2	2,601.3	214.1
1989	1,143.2	114.2	-152.5	-266.7	2,868.0	240.9
1990	1,252.7	117.2	-221.4	-338.6	3,206.6	264.7
1991	1,323.8	122.7	-269.2	-391.9	3,598.5	285.5
1992	1,380.9	113.2	-290.4	-403.6	4,002.1	292.3
1993	1,408.2	94.2	-255.1	-349.3	4,351.4	292.5
1994	1,460.6	89.1	-203.2	-292.3	4,643.7	296.3
1995	1,530.0	121.9	-161.4	-283.3	4,927.0	336.0
1996 estimate	1,583.0	121.8	-189.3	-311.1	5,238.0	348.0

Source: CBO's January, April, and August 1995 Reports.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC. October 20, 1995.
Hon. KENT CONRAD,
U.S. Senate, Washington, DC.

DEAR SENATOR: Pursuant to Section 205(a) of the budget resolution for fiscal year 1996 (H. Con. Res. 67), the Congressional Budget Office provided the Chairman of the Senate Budget Committee on October 18 with a projection of the budget deficits or surpluses that would result from enactment of the reconciliation legislation submitted to the Budget Committee. As specified in section 205(a), CBO provided projections (using the economic and technical assumptions underlying the budget resolution and assuming the level of discretionary spending specified in that resolution) of the deficit or surplus of the total budget—that is, the deficit or surplus resulting from all budgetary transactions of the federal government, including Social Security and Postal Service spending and receipts that are designated as off-budget transactions. As stated in the letter to Chairman Domenici, CBO projected that there will be a total-budget surplus of \$10 billion in 2002. Excluding an estimated off-budget surplus of \$115 billion in 2002 from the calculation, CBO would project an on-budget deficit of \$105 billion in 2002. (The letter you received yesterday incorrectly stated these two figures.)

If you wish further details on this projection, we will be pleased to provide them. The staff contact is Jim Horney.

Sincerely,

JUNE E. O'NEILL, Director.

Mr. HOLLINGS. While the distinguished Senator from New Hampshire said that the Republican budget was "certified as being balanced," this letter certifies a \$105 billion deficit.

Now, I would also ask unanimous consent that we insert two budget tables in the RECORD which have been prepared with the help of my staff.

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