care received by Medicaid beneficiaries. I believe the Boren amendment must be preserved in any final compromise on the budget, and I intend to fight to see that it is.●

TRIBUTE TO ISRAEL COHEN

● Ms. MIKULSKI. Mr. President, I rise today to pay tribute to a great man and a great friend. Late last Wednesday, Israel Cohen, the chairman of Giant Food, passed away at 83.

Mr. Cohen came to this country as a young boy and learned the grocery business in his father's store on Georgia Avenue—one of the first self-service stores of its kind in the country. From this beginning, Mr. Cohen built the Giant Food & Drug empire. In a rapidly changing retail food market, Mr. Cohen survived and prospered through innovation. He experimented with selling items under private labels to cut costs and his stores were the first in the country to use scanners at the checkout counters.

Mr. Cohen was more than simply a successful businessman. He knew that the success of his business was directly related to the health and well-being of his employees. He was a man who always had time to visit with his employees, no matter how busy he may have been. He created a family atmosphere with his employees, refusing to be called Mr. Cohen, but insisting on Izzy. And he worked as hard for them as they did for him. His employees tell of waiting around after putting in a full shift to meet and shake hands with him. Mr. Cohen recognized the value and importance of every single worker at his stores, from the President of the company to the high-schooler who bags groceries on Saturday afternoons.

Mr. Cohen was dedicated to providing the best service possible. Even if that meant he had to jump in behind a cash register and bag a customer's groceries himself. This is a lesson from which every American should learn.●

ON THE ADVISABILITY OF NOT DEFAULTING

● Mr. SIMON. Mr. President, we have had a variety of sources telling us that the Nation should not default on its obligations because of the debt limit.

It should hardly be necessary to stress that. If we create debt, we have to pay for it. For that reason I have consistently—with one exception—voted for extending the debt limit whether it was a Democratic President or a Republican President. The real choice is when we create the debt. Once it is created we have to face up to it.

But a publication which probably has limited circulation that I have come to respect is Grant's Interest Rate Observer, published by James Grant.

His November 10 issue has a front page commentary titled, ''On the Advisability of Not Defaulting.''

It approaches the question of default from a slightly different perspective that I believe my colleagues should note.

I ask that the commentary be printed in the RECORD.

The material follows:

[From Grant's Interest Rate Observer, Nov. 10, 1995]

ON THE ADVISABILITY OF NOT DEFAULTING

Over the past 12 months, the 30-year Treasury bond actually delivered a higher total return than the stock market (source: the authoritative center pages of this publication). The margin of outperformance, 32.92% to 29.60%, was remarkably strong for an asset class that is under the cloud of default.

It would be better if there were no default, we think. Over the past 46 years, according to our friends at Ryan Labs, income contributed a little more than 100% of the total return of the overall Treasury market. Thus, the contribution of capital gains to the same calculation—the bear market lasted for 34½ years, until September 1981—was less than zero.

Because the bond is an income security, low interest rates work a hardship on bondholders. Default would work the ultimate hardship. To achieve the identical 32.92% total return in the next 12 months, Ryan calculates, the current 30-year Treasury would have to rally to a yield of 4.59%. Over the past five years, the long bond has produced a total return of 12.35%; to reproduce that feat in the next five years would require a rally to 3.60%. To match the past decade's total return of 11.48%, the 30-year Treasury would have to rally to 0.29%. Repeat: 0.29%.

Since May 1974, bonds have delivered 12-month total returns in excess of those achieved by stocks in no fewer than 110 months, a fact almost guaranteed to win a bar bet from any stock market chauvinist who insists that the returns to management, diligence, hard work and ingenuity should, by right, exceed those to coupon clipping.

Perhaps the creditor class isn't finished yet. As the graph on pages six and seven points up, bond market out-performance is rarely a one-month flash in the pan; it tends to roll on. But that is a question of relative return. The immediate risk of default is one of absolute performance, not in the short run but over the long pull. One long-term risk is the precedent of default (to be technical, this would be the second American default; in 1933, the government abrogated the contracts under which it had promised to pay gold to its bondholders). A second is that the temporary nonpayment of interest and principal would cause intelligent people to reexamine the nation's monetary institutions. Wondering about the whereabouts of their money, they might turn to the Federal Reserve's balance sheet. Reading it, they would observe: non-interest-bearing currency on the liabilities side; Treasury securities on the asset side. Their eyes would flash to a footnote: $484 billion in Treasurys held in custody by the Federal Reserve for the account of foreign central banks.

A very intelligent American reader would come to appreciate that he or she is the beneficiary of a vast fandango. The world has willingly come to accept the promises of this government, either in interest-bearing or non-interest-bearing form. The half-trillion dollars or so worth of dollar securities visibly held by foreign central banks constitute the evidence not of American strength but of weakness. Mainly, they represent the track of currency intervention. Buying dollars, the central banks turn them in for U.S. government securities. It is an indirect gift.

Another subversive feature of a Treasury default is that it would turn the spotlight on other classes of non-interest-bearing investments. Of these, perhaps none is so lowly as gold, which this year has caused even its few remaining friends to despise it. However, notes Peter McTeague, of MCM TradeWatch, Boston, gold option volatility has collapsed, speculators are short the market, central banks are hostile toward it and producers continue to sell the metal forward (the proof of which is a gold lease rate that has surged to 2.3% from 1.8% in the past month: even at the lower yield, it would represent towering value in the Japanese bond markets). On Tuesday came news that the output of the South African mining industry is closing in on a 40-year low; a spokesman for the Anglo American Corp. described the country's gold operations as being in a ''state of managed decline.'' The other day, a friend described his own growing, unfashionable bullishness toward gold. However, he added before hanging up: ''I'm not sure I want my name used with this.'' It has been a vale of tears.●

COMMON SENSE PRODUCT LIABILITY REFORM ACT

Mr. PRESSLER. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on H.R. 956, a bill to establish legal standards and procedures for product liability litigation, and for other purposes.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

Resolved, That the House disagree to the amendment of the Senate to the bill (H.R. 956) entitled ''An Act to establish legal standards and procedures for product liability litigation, and for other purposes'', and ask a conference with the Senate on the disagreeing votes of the two Houses thereon.

Ordered, That the following Members be the managers of the conference on the part of the House:

From the Committee on the Judiciary, for consideration of the House bill and the Senate amendment, and modifications committed to conference: Mr. Hyde, Mr. Sensenbrenner, Mr. Gekas, Mr. Inglis of South Carolina, Mr. Bryant of Tennessee, Mr. Conyers, Mrs. Schroeder, and Mr. Berman.

As additional conferees from the Committee on Commerce, for consideration of the House bill and the Senate amendment, and modifications committed to conference: Mr. Bliley, Mr. Oxley, Mr. Cox of California, Mr. Dingell, and Mr. Wyden.

Mr. PRESSLER. I move that the Senate insist on its amendments, agree to the request from the House for a conference, and that the Chair be authorized to appoint conferees.

The motion was agreed to; and the Presiding Officer (Mr. GORTON) appointed Mr. PRESSLER, Mr. GORTON, Mr. LOTT, Mr. STEVENS, Ms. SNOWE, Mr. ASHCROFT, Mr. HOLLINGS, Mr. INOUYE, Mr. FORD, Mr. EXON, and Mr. ROCKEFELLER conferees on the part of the Senate.

MEASURE READ FOR FIRST TIME—S. 1432

Mr. PRESSLER. Mr. President, I send the enclosed bill to the desk and ask for its first reading.

The PRESIDING OFFICER. The clerk will read the bill for the first time.

The assistant legislative clerk read as follows: