The PRESIDING OFFICER. Cloture has been invoked on the motion to proceed to the Internet bill. Does the Senator desire unanimous consent to speak out of order?

Mr. GRAMS. Yes. Sorry. I ask unanimous consent that I be allowed to speak out of order.

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

NORTHEAST DAIRY COMPACT EXTENSION

Mr. GRAMS. Mr. President, I rise today to express my continued disappointment at the political maneuvering which has resulted in an extension of the Northeast Dairy Compact—an example of legislation driven by regional politics.

I wish to register strong protest to the extension and ask that my colleagues join me and those in the Upper Midwest who must once again speak out against patently unfair, anti-American, anticompetitive policy.

This is an archaic Federal dairy policy that penalizes farmers in the Upper Midwest, while giving benefits to farmers in other parts of the country in the dairy industry.

The expected Agriculture appropriations conference report will include House language which underhandedly extends the Northeast Interstate Dairy Compact.

Under the 1996 Food and Agriculture Improvement and Reform Act, commonly known as the FAIR Act, federal milk marketing order reform would go into effect in April, 1999. However, the conference committee has now adopted the House Agriculture Appropriations Committee bill language which delays the implementation date for Federal milk marketing order reform until October, 1999—6 months later. Not only does this delay long overdue marketing reforms, it also extends the Northeast Dairy Compact, which is not set to expire until the Federal milk marketing orders go into effect.

Mr. President, USDA did not request a delay of the milk marketing order reforms. The real purpose of the House language is simply to extend the Northeast Dairy Compact.

That this extension is even being considered leads me to believe there are some who remain unaware of the notorious history of the Northeast Dairy Compact's creation and its negative impact on consumers and all dairy farmers—with the notable exception of the largest dairy industries within the compact region.

The 1996 FAIR Act included substantive reforms for dairy policy. It set the stage for greater market-orientation in dairy policy, including reform of the archaic Federal milk marketing orders. Yet, despite a strong vote by the Senate to strip the Northeast Interstate Dairy Compact from its version of the FAIR Act, and the deliberate exclusion of any Compact language from the House version of the bill, a Northeast Interstate Dairy Compact provision was slipped into the conference report.

This language, however, does call for the compact to be terminated upon completion of the Federal milk marketing order reform process, again, set in April of 1999.

It is imperative that the Northeast Interstate Dairy Compact sunset as was intended, and that no new compacts are created. Dairy farmers have not seen positive benefits as a result of the compact and consumers have been hurt by higher prices.

It is estimated that consumers in the compact region of the Northeast have an increased annual cost of almost $50 million due to the compact. Not surprisingly, milk consumption in the compact area has dropped as a result. The only real winners have been the largest industrial dairies of the Upper Northeast.

It is really no surprise. Just consider it: if the compact pays a premium per hundredweight of milk, and large industrial dairies are able to produce, let's say 15 to 20 times more than the ''typical'' traditional dairy farm that the compact was supposedly going to protect, who do you suppose wins? It certainly isn't the traditional dairy farm. They are still put at a competitive disadvantage, thanks to regional politics, and so are dairies outside the compact region.

The artificial price increase stimulates overproduction and it floods the rest of the market in other parts of the country, and in other markets as well, including milk for cheese. Basically, all the principles of market forces, including pricing based on supply and demand and producers effectively determining profit and loss through efficiency, have now been replaced by artificial pricing.

If any other industry tried to fix prices in this manner, I believe they would be hauled into court. Let me show this chart. The questions contained on the chart, which of these is actual Federal policy? Looking at the four questions:

All computers should be price-adjusted according to their distance from Seattle.

All oranges should be price-adjusted according to their distance from Florida.

All country music should be price-adjusted according to its distance from Nashville.

All milk should be price-adjusted according to its distance from Eau Claire.

All of these are foolish. But this is Federal policy. The last one, ''All milk should be price-adjusted according to its distance from Eau Claire,'' WI, might have made sense back in the 1930s when it was instituted, because of transportation and refrigeration, in order to encourage dairy production in other parts of the country. The Midwest, really, is the heart of the dairy industry in this country. So they set up these laws, but these laws are now archaic, outdated. They no longer need to be on the books. All they do is penalize the farmers in the Midwest who get the lowest prices for their milk and reward farmers further away from Madison or Eau Claire, WI, who receive more money for dairy products, despite the new and improved transportation and refrigeration in this country. This may have served a purpose in the 1930s, but it is outdated when we come into this century.

What it does is have the government picking winners and losers when it comes to dairy. They have their foot on the neck of dairy farmers in the Midwest while granting dairy farmers in other parts of the country more money.

All we are asking for is fairness in this policy. Should computers be priced according to their distance from Seattle? No. Should oranges be priced according to their distance from Florida? They are not. Is all country music priced according to its distance from Nashville? No, that is ridiculous. And the same should be true for dairy—Should all milk be priced according to its distance from Eau Claire? No.

USDA's own data show that milk production has increased substantially in the Compact region of the Northeast. In fact, the increase in production has been so great that the Compact Commission has started to withhold money from farmers, in anticipation of being required to reimburse the Commodity Credit Corporation for increased purchases of surplus dairy products.

But the creation of the Northeast Interstate Dairy Compact, we have done a disservice to traditional dairy farmers in the Compact region, consumers within the Compact region, and all dairy producers nation-wide who have been forced to pay the price of this anti-competitive measure.

The higher milk prices in the Compact region are cause for alarm, but these consequences were easily foreseeable. What is outrageous is the idea of another extension of this anti-competitive effort.

As far as I'm concerned, this is it—the last straw. There will be no more extensions. The Northeast Dairy Compact has had its day. It has failed. It is being kept alive for another six months by a life-support system of favors and big business.

I believe it's time to put fairness first and put the Senate on notice. The Upper Midwest has waited long enough for substantive reform—basic fairness. I will continue to make this point during the next Congress, no matter how long it takes to get the message across.

Special protection benefits and anti-competitive measures make competitors worried, and rightly so. The Northeast Interstate Dairy Compact has spurred a movement in the Southeast to create a similar Compact.

In fact, earlier this year the groundwork was laid for a national patchwork of regional compacts. Roughly half the country had either passed enabling compact legislation, was debating such legislation, or was a part of the Northeast Interstate Dairy Compact.

Can you imagine in the time when we are trying to knock down trade barriers with other countries around the world to have greater access to markets, to help export our products, especially in agriculture, that we, here in our own country, would put up trade barriers between portions of the country?

Clearly, the writing is on the wall. As far as dairy policy is concerned, we're at a pivotal juncture. We must either decide to support a national system or regionalize. A national patchwork of compacts would render the Federal Milk Marketing Order reforms meaningless. It would essentially kill any hope for real federal reform. Interstate commerce in the milk industry would be a confusing maze.

To extend the Compact ignores the mandate of the 1996 FAIR Act itself. Further, attempts to accomplish this regional protectionism through an annual appropriations bill is also particularly offensive.

Certainly, it is difficult to have the courage to bypass a quick-fix in favor of a long-range view. But that's where real leadership comes into play. Let's be advocates for the traditional dairy farmers, not just the mega-dairies, and maintain the integrity of the legislative process by standing up to policy making behind closed doors.

An extension of the Northeast Dairy Compact does not belong in important Agriculture Appropriations legislation.

What is required next is a complete overhaul of this antiquated and just plain unfair dairy policy.

Again, established back in the 1930s, it has long outlived its usefulness. It is counterproductive, anti-American and unfair. Let's give all dairy farmers in all areas of the country the ability to compete on a level playing field.

I close with a quote from the Chicago Tribune. The quote says:

> More compacts [like the Northeast Interstate Dairy Compact] will only mean higher milk prices for even more consumers and more lost market opportunities for the Midwest. . . . How could Washington approve this throw back to Depression-era economics when other farm subsidies . . . are being phased out? Back-room deals and pork barrel politics, that's how [it is done.]

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

TAX CUTS AND THE GOOD GOVERNMENT AMENDMENT MUST PASS

Mr. GRAMS. Mr. President, just briefly, today, as you know, marks the end of the fiscal year for Washington, the fiscal year of 1998; tomorrow will be the first day of fiscal year 1999. This turn of the calendar, like any new year, is an appropriate time to review the accomplishments of the previous year and also to set goals for the next year.

What a year it has been. Last year, we passed significant tax relief—including a $500 per-child tax credit that will soon take effect. In addition, for the first time since 1969, we passed and abided by a balanced budget. It has not been easy. It has not gone without temptations. There have been spirited attempts to spend taxpayer dollars and drag us into an even larger deficit, blowing one spending cap at a time. This remains a difficult task even today—Congress is pushing to complete legislative work on all 13 appropriations bills by this time. But to date, the President has signed only one into law, and only two others are on their way to him. The reason for the delay is that by habit, Washington loosely interchanges the act of deciding how much to spend with that of ''spending much.''

To my dismay, many colleagues and the President's Administration have used this end of the fiscal year and the near end of the Congressional session to push for their election-year political agendas. The result? Again is political blackmail: if you do not give me this, I will shut the government down and blame you for being heartless and ineffective. This delay has also put off important consideration of overdue tax relief for hard-working American families. In fact, the entire tax bill recently passed by the other legislative body is now in jeopardy because Washington cannot decide on how best to spend taxpayers' money for political agendas.

Now, let me be clear on my position. A tax cut is not spending. Only in Washington's bookkeeping do we consider a cut in revenue to be spending.

Mr. President, are we going to allow another Government shutdown—a situation where everybody loses? I certainly hope we don't. In the past few months, I have asked both the Senate majority leader and the Senate minority leader several times to honor the commitment they made during the consideration of last year's disaster relief legislation to support a bill I introduced called the ''Good Government Amendment,'' which would create an automatic continuing resolution to avoid a Government shutdown. But so far, it has been to no avail.

We do have a system that allows the Government to operate through October 9. But what happens if that agreement, that continuing resolution allowing the spending to go on, is not extended and the threat of a shutdown could cost the taxpayers billions more in new spending in order to close this year?

With the end of the fiscal year upon us and just a few days left in this session, don't you think we need a contingency plan, some mechanism to avoid the end-of-session battles that often result in more Government spending?

There are essential functions and services of the Federal Government we must continue, regardless of our differences in budget priorities. Our constituents deserve assurances that the Federal services they expect will not be bogged down by politics. They should also expect that Washington is trying to find ways to spend their money wisely and not wastefully. The rest should be returned in the form of tax relief.

Mr. President, despite a shrinking Federal deficit, total taxation is at an all-time high. The tax relief Congress enacted last year doesn't go nearly far enough; it returns to the taxpayers only one cent for every dollar they send to Washington. By the way, taxes on the average American family are at the highest level in history—even higher than during World War II. The average family will pay about 40 percent of everything they make in taxes to Federal, State and local governments.

I urge my colleagues to review CBO's August Economic and Budget Outlook, which shows precisely where revenues will come from in the next ten years. The data indicates that the greatest share of the projected budget surplus comes directly from income taxes paid by the taxpayers, not through the FICA taxes, or Social Security.

In 1998, individual income, corporate, and estate taxes consist of 80 percent of total tax revenue growth, while the share of FICA tax is about 20 percent of that growth. General tax revenues are expected to grow by $723 billion, or 60 percent, over the next 10 years.

What I am saying is that the taxpayers generated the surplus, outside of the money earmarked for Social Security, and we ought to return at least a portion of it to them. If we don't return at least some of the surplus to the taxpayers—and soon—Washington will spend it all, leaving nothing for tax relief or the vitally important task of preserving Social Security. Such spending will only enlarge the Government, and if we enlarge the Govenment today, it will make it even more expensive to support in the future.

The tax relief proposal now making its way through Congress will help farmers and small business owners to pass their legacies to their children. It would reduce self-employed medical costs, and it would correct the injustice of the marriage penalty tax.

My problem with this proposal, however, is that it just doesn't go far enough. I think most Americans, if given the facts, would agree, looking at their own pocketbooks and their own tax statements, that tax cuts are needed.

Mr. President, some in the Senate juxtapose tax relief with Social Security reform. They suggest to the American people that they are mutually exclusive choices. They say you can't have one with the other. If you have tax cuts, we are not going to save for Social Security and protect it; or if we protect Social Security, we can't have