

acceded to membership in the European Union and have each engaged in initial voting participation in an official action of the European Union.

(B) **RULE OF CONSTRUCTION.**—Nothing in this paragraph may be construed as an expression by the Senate of an intent to accept as a new NATO member any country other than Poland, Hungary, or the Czech Republic if that country becomes a member of the European Union after the date of adoption of this resolution.●

#### CONGRATULATIONS TO COMMUNITY HOSPITAL AND NURSING HOME OF ANACONDA

● **Mr. BURNS.** Mr. President, it is my pleasure to congratulate Community Hospital and Nursing Home of Anaconda, Montana, for being listed among the top 100 hospitals in the nation in 1997. The entire staff of Community Hospital, from CEO Sam Allen on down, should be very proud of their hard work and success in caring for the Anaconda community.

This distinction is based on an annual performance measurement including patient care, operations, and financial management conducted by HCIA and William M. Mercer, Inc. The study, 100 Top Hospitals—Benchmarks for Success, looked at 1,300 hospitals with fewer than 99 acute-care beds, and Community was one of 20 that made the Top 100 from that size category.

The performance measures of the Benchmarks for Success are objective—such as risk-adjusted mortality index and expense per adjusted discharge (case mix and wage adjusted)—which means that Community Hospital's success is documented by experts in the field. I know that Community's patients and staff knew this without the performance study, but I point this out because this isn't a typical award. Community has built itself into a national model, and for that I congratulate them.●

#### ABRAHAM SPEECH ON BUDGET SURPLUS

● **Mr. COVERDELL.** Mr. President, I rise to share with my colleagues a speech which I believe provides a number of important ideas and policy positions we should be discussing as we enter the era of budget surpluses.

Because of strong economic growth, the Office of Management and Budget reports that we will begin running a surplus in 2001, and that surplus will total \$447 billion by 2005.

In a speech before the Detroit Economic Club on February 17, Senator ABRAHAM sought to start a dialogue on how best we as a nation could approach the upcoming and unaccustomed circumstance of budget surpluses. In my view he offered excellent suggestions on how to save Social Security, provide comprehensive tax reform and invest in infrastructure and human capital, all within the confines of a limited budget surplus.

His specific proposals, limited private investment accounts within the

Social Security system, an alternative flat tax and scholarships for low income students entering hi-tech fields, all deserve our attention. It is my hope that they will help spur fruitful debate concerning how we can best approach the new century with continued economic growth, expanding opportunity and confidence in our fellow citizens.

I ask that Senator ABRAHAM's speech be printed in the RECORD immediately following my remarks.

The speech follows.

#### SURPLUS POLITICS: WHAT CONGRESS SHOULD DO

By Senator Spencer Abraham

Before I begin today, I would like to say a few words about the situation in Iraq. When I last spoke here a year ago, it was under very different circumstances. Today we face an imminent crisis in the Middle East. As you know, it is entirely possible that our troops, including a member of my own staff, may soon find themselves in a combat situation. I know I speak for everyone in this room when I say how proud we are of the young people defending our country, and how much we appreciate all that they have sacrificed already. I also know that I speak for everyone here when I say that I hope and pray that we can settle this crisis through diplomatic means, without putting our troops in harm's way. But if we can't, I know we will all support them in every way possible.

#### THE ECONOMY

But I came here to talk about a more pleasant subject: our economy. And I think this is a pleasant subject for the simple reason that the news continues to be good. Gross Domestic Product is up 3.7 percent over last year, in real terms, that's up 16.3 percent since 1994. Inflation is down to 1.7 percent, down 27 percent since 1994. Unemployment last year averaged just 4.9 percent, down from 6.1 percent in 1994. Interest Rates are at 30 year lows, and down 20 percent from 1994. Industrial production is up 5.9 percent over last year and 14 percent since 1994. And we finally have managed to pass a balanced budget—one that includes tax cuts for working Americans.

The issue we face today, in my view, is "how can we keep this economic growth going strong into the next century?" And I think we can see the outlines of a workable program right here in Michigan. If we look back to 1990, we can see the progress we have made here in Michigan, as well as how we have made it.

In 1990, Michigan had the highest unemployment rate of any industrial state and a \$1.8 billion deficit, on a budget of only \$8 billion. Now our state is a thriving, fiscally responsible beacon for free enterprise. Since 1990 Michigan has created well over half a million new jobs, brought unemployment down to well under 4 percent, and produced balanced budgets and even a budget surplus.

How did we get here from there? John Engler became governor, and he cut taxes over 20 times, instituted a program of regulatory reforms lessening the burden of a state government on our job creators, brought spending under control and balanced the state budget.

But Governor Engler knows that you can never simply rest on your laurels, particularly when the goal is continued prosperity. That is why, if the Governor gets his way, we'll cut taxes and regulations further and expand our pro-growth policies into the next century.

On the national level we can't rest on our laurels either. The question is, how can we

best build on our recent progress? Because of strong economic growth, for the first time in recent memory we face the prospect of budget surpluses. According to the Office of Management and Budget, we will begin running a surplus in 2001, and that surplus will total \$447 billion by 2005.

#### SURPLUS OPTIONS

Assuming we can maintain the budgetary discipline and economic growth necessary to fully realize it, the question is, what are we going to do with this surplus? Now, just about everyone in Washington, DC has their own answer to this question. They fall into four camps. Some say that we should use it to cut taxes. Others respond that we should use it to pay down the national debt. Still others have called on us to use it to "save Social Security." Finally, a number of people have said that we should use the surplus to invest in social programs, human capital and infrastructure.

Of course, all of these answers sound good—but how we handle the specifics is very crucial.

First let's look at those who say simply "cut taxes." That sounds good. I for one believe that one of the reasons Republicans were put on this Earth was to cut taxes. But how? Do we just continue the recent approach of more targeted tax cuts, as the President suggests? Cut a tax here, create a deduction there?

Last year's tax cut was needed and welcome. But the legislation putting it into effect added or amended over 800 sections in an already complicated tax code. I question whether we should just continue down that path.

Paying down the national debt sounds appealing too. But what does it really mean? Remember, even if we use the entire projected surplus, we would only pay down less than 10 percent of the debt. And don't forget, a significant portion of the debt is held by foreign investors. Does it really make sense to use American taxpayers' dollars to make early debt payments, to foreign investors like the central banks of China, Japan and Germany?

Saving Social Security as the President suggests is a good idea too. But how we might employ a short range surplus to do it is the issue. For example, if we simply dump the budget surplus into the Social Security Trust Fund, it would only extend the life of Social Security for less than 2 years.

Which brings us to the fourth and final option: investing the surplus in social human capital and infrastructure. Again, the question is, what does this mean? Based on the President's speech and the comments of other such advocates in Washington, it means rebuilding the Great Society, restoring many of the welfare programs we reformed and launching new programs which will be impossible to end or reduce at a later date.

As my colleague Chuck Grassley says, it appears that "the era of saying that the era of big government is over, is over."

As I have said, in Washington the debate over these choices has begun. And for the most part the attitude is that they are mutually exclusive. Moreover, because too much of the early thinking takes a "business as usual" approach as described above, rather than a creative and innovative one, we aren't likely to make much progress on any front. To have impact we must think in terms of new ideas and approaches. And, a set of strong pro-growth policies must underlie any strategy for using the surplus.

If we are creative in this sense, I believe it is possible for us to attack the burdensome tax code, the looming Social Security crisis, the human capital and infrastructure challenges we confront, and our gargantuan debt, and make great progress on all fronts.

## AN INTEGRATED PROGRAM

I see the doubt on your faces. You're thinking we can't do it all. And I confess to having a few doubts of my own. But, for just a moment, suspend your judgment and consider several possible prescriptions. Today I want to share with you some ideas both as to surplus priorities and as to specific policy concepts, with the hope of starting a dialogue on how we should approach the upcoming era of surpluses, in the best interests of Michigan and the nation.

Let's begin with Social Security. Ladies and gentlemen, if we properly use up to two-thirds of the surplus, we can simultaneously save Social Security and dramatically reduce the federal debt. We do this, not by perpetuating the current system with its paltry 1 to 2 percent return on investment, but by employing the surplus to subsidize the transition to a system that would allow anyone in Social Security who so chooses, to invest up to 2 or 3 percent of their earnings—or  $\frac{1}{2}$  to  $\frac{1}{2}$  of the employee share of their payroll taxes, in a private investment account.

As you know, the Social Security system clearly needs saving. As of now the Congressional Budget Office estimates that it goes broke in 2030. If we do not take action, the taxes needed to finance currently projected Social Security benefits in 2030 would be equal to about 8 percent of Gross Domestic Product—equivalent to doubling all personal income tax rates on working Americans. Moreover, as I've said, simply deploying the surplus to the trust fund would only extend this between one and two years.

How can we prevent such a catastrophe? One way is by using part of the surplus to fund a system of Personal Retirement Accounts modeled on the successful and widely used 401(k) plans. People would have the option of investing  $\frac{1}{3}$  to  $\frac{1}{2}$  of their payroll tax contributions to a Private Retirement Account, rather than to Social Security. The employee would be able to invest the money in stocks, bonds and mutual funds. Even with rules guarding the safety of the investments, the return would be far higher than the current system's 1 to 2 percent. Funds would accumulate tax free until retirement, when the employee could withdraw the balance. These dollars would then be used to partially offset the trust funds' obligations to participating individuals, by a fraction of the private investment account payout.

Meanwhile, as we give people a payroll tax cut to finance their private investment accounts, we would use an equal amount of surplus dollars to keep the trust fund whole. In this way we would lower the financial pressure on the system over the long term, saving it from insolvency and dramatically reduce if not eliminate the need to raise payroll taxes.

The economy also would benefit. Where Social Security monies now exist only in theory or in government debt instruments, they now would add to the pool of money available for investment and expansion, thus lowering interest rates and spurring growth. And higher growth would further strengthen the Social Security system. What is more, we could keep our eyes on our money.

For those at or nearing retirement, including baby boomers, this strategy would ensure that everyone receives their social security. But for American young people in particular, this would produce a substantial tax cut and greater security for their old age. That security is particularly important since one recent pool shows that more people under 30 believe that they will personally see a flying saucer in their lifetimes than believe they will see a Social Security check.

Under this plan, a married couple with a combined income of \$60,000 would get a \$1,200

annual tax reduction. By the time this couple retired, after 35 years of consistent investment, even at a relatively low 5.5 percent rate of return, they would have \$120,000 in supplemental retirement income.

Well that's a plan for Social Security. Now remember, we have used at most two thirds of the surplus. The next 25 percent we should consider devoting to taxes. But let's not get into another battle over competing tax cuts. Instead, if we are going to employ any of the surplus on taxes, I believe it should be used to finance an overhaul of our antiquated tax system.

As you know, the President has said in his State of the Union address and since, that whatever we do "we shouldn't use any of the surplus for tax cuts." But I find it hard to take him very seriously when in the same speeches, he himself called for major tax cuts and, more importantly, the launching of \$125 billion of new, impossible to restrain, spending programs.

So in response to the President I would say this: if the taxpayers are sending over \$400 billion more to Washington then even the DC politicians asked for or expected, don't they deserve to have a tax system that's right for the 21st century, instead of the broken, intrusive, complicated one we have today?

Ladies and Gentlemen, we need a tax system that is fairer, simpler, and flatter and an IRS that is under control.

We need this to restore public confidence in the tax system. A recent USA Today poll found that 60 percent of Americans believe the IRS "frequently abuses its powers." Fully 95 percent believe the tax code itself isn't working and must be changed.

If we had an Economic Protection Agency to watch over the economy the way the Environmental Protection Agency watches over the environment, the IRS code would be labeled toxic. IRS forms would come with a warning label: The Economist General of the United States has determined that the Internal Revenue Code is hazardous to America's economic health and could cause financial devastation to your family.

The problem is that we do not have majority support for any one, particular alternative. According to surveys, the most popular alternative is a flat tax, but even that lacks a clear majority. This is true for a number of reasons but, primarily, because many fear that a flat tax might cost them money, due to a loss of deductions and because of concerns about some of the flat tax proposals floating around out there, which would essentially allow many of the most affluent Americans to pay no tax at all.

So, what do we do? Stick with the current broken system? Impose a flat tax or a sales tax on all Americans whether they like it or not?

Well, here's a proposition. Why force a new system on the taxpayers, or force them to live under the old one? Why not give taxpayers a choice? Let's strive to achieve some consensus. Why not give taxpayers the option of sticking with the old system or of choosing something new.

To that end, with a strong plurality of Americans preferring a flat tax, I've been exploring the concept of an Alternative Flat Tax, and I'd like to outline it here today for your consideration.

Rather than simply impose a new tax structure, we would allow people to opt out of the current system and choose a 25% flat tax instead. Applicable to income above a generous—family—based exclusion.

No one would pay more tax under the Alternative Flat Tax than they do under the current system, for the simple reason that no one would be forced to choose the new system.

In addition to the optional feature, the plan would also, of course, possess the usual appeal of a flat tax:

It's simple—it could be computed on a post card, and it would not entail the development of the kind of complicated transitional tax rules that would be required if we mandated that everyone change to a whole new system.

And it's pro growth—driving down the top marginal tax rate on individuals and businesses to 25 percent would give a tremendous boost to incentives to work, save and invest.

Now, let me talk about how we might invest the rest of the surplus. The final ingredients we need to enjoy growth and prosperity in the 21st century are an upgraded infrastructure combined with a well-trained workforce. And the remainder of the surplus is sufficient to achieve just that.

I don't think I have to tell anyone here about the problems we have with our infrastructure. Over half our roads and bridges are in poor shape. That means that we must spend more on transportation. It also means we must stop spending the road dollars of Michigan and 20 other states to subsidize other people's freeways. An investment of about \$5 billion of the surplus per year; money that is already in the highway transportation trust fund, will make that happen.

In addition to our transportation infrastructure, we need to look to our human capital. No input is more important to a business than properly skilled workers. And we as a nation are not producing enough highly skilled workers.

A study conducted for the Information Technology Association of America estimates that there are more than 346,000 unfilled positions for highly skilled workers in American companies.

Bureau of Labor Statistics figures project that our economy will produce 100,000 information technology jobs in each of the next 10 years. Meanwhile, our universities will produce less than a quarter that number of information technology graduates.

This is serious, for Michigan and for the nation. Here in Michigan, 24 of every 1,000 private sector workers are employed by high-tech firms. For the nation, the Hudson Institute estimates that the unaddressed shortage of skilled workers throughout our economy will result in a 5 percent drop in the growth rate of GDP. That translates into about \$200 billion in lost output, nearly \$1,000 for every American.

This problem calls for both a short term and a long term solution.

For the short term, the only immediate source of talent to fill the gap is immigration. But, by this summer American businesses will reach the limit on the small number of highly skilled temporary workers they can currently bring in from abroad. Last year our employers reached this 65,000 cap for the first time in history, and we did it by the end of August. If no action is taken this year, the cap will be reached by February of 1999 and even earlier the following year. This would be disastrous. If American companies cannot find home grown talent, and if they cannot bring talent to this country, some of them will move their operations overseas, taking American jobs with them.

And that is why I am going to use my position as Chairman of the Senate Immigration Subcommittee to propose that we increase the number of higher skilled temporary workers we allow into the United States. This will keep American companies in this country, saving American jobs and contributing to the growth of the economy. It would also give us time to formulate a long-term solution.

In my view, we can produce the talent here in America to meet our skilled labor needs. And that's where the surplus could come in. Through wise investments in human capital we can give kids in this city, and in every

other city in America, including kids whose opportunities seem severely limited, the chance to be part of the new high-tech economy.

Our young people have what it takes to be valuable employees in our high-tech age. But our educational system is not giving them the skills they need to succeed. The National Research Council estimates that three quarters of American high school graduates would fail a college freshman math or engineering course. Most don't even try. Only 12 percent of 1994 college graduates earned degrees in technical fields.

This is not acceptable. In a highly advanced economy like ours we cannot continue to function without highly skilled workers. And our workers cannot continue to prosper unless our educational system gives them the skills they need to succeed.

To begin, I propose we invest \$1 billion per year, the balance of the surplus, to annually provide at least 100,000 more Americans with scholarships for study in scientific and technical areas. Let's start training unemployed Americans in skills needed in the information technology industry. Combined with approaches to increase parental choice in determining their children's schooling and to move resources out of Washington and back to the school districts, local school boards and parents, I believe that this investment can increase the skill levels of our workers, to everyone's benefit.

#### A GOLDEN OPPORTUNITY

Well, these are some of the ideas I am considering, one possible blueprint for our entry into the age of surplus.

In closing let me say I believe we have a golden opportunity. As we stand on the edge of a new century, possibilities are opening up for all Americans. We remain the world's richest nation, and we are richer than we have ever been. Now, after decades of overtaxing and overspending, Washington finally has managed to balance the budget and, provided we institute policies that make sense, soon will produce a surplus.

But this opportunity will not be with us forever. If we do not plan out how we should use the impending surplus it will disappear into more "Washington-knows-best" programs that will simply trap more Americans into lives of dependency and desperation.

But if we are creative we can forge a new path. We can move forward, with optimism, secure in the knowledge that our people want opportunity, not handouts, that our economy can continue to produce prosperity, if only we will let it, and that the entrepreneurial spirit remains alive in America.

We can move toward growth and prosperity for the next century if we are willing to use the surplus as a tool to increase savings and investment, to get the Social Security system back on a sound footing through individual choice, to overhaul our tax system, giving greater control over their money back to our taxpayers, and to rebuild the infrastructure and human capital so crucial to our economy.

Responsible, limited government, combined with the spirit of the American people, can lead us into a new century of unprecedented growth and opportunity, in which the American dream can become a reality for everyone fortunate enough to be an American.

I would welcome your input, here and now or in the future, whether regarding these principles or regarding the reforms I have talked about today. I hope that we will have a chance to discuss these issues, which will be so much a part of public debate in Washington in the coming months, and I thank you for having me speak today.●

#### CONFIRMATION OF RICHARD YOUNG

● Mr. COATS. Mr. President, yesterday the senate voted to confirm Judge Richard Young to be U.S. district judge for the southern district of Indiana. I rise today to express my strong support for the senate's actions. Judge Young has distinguished himself both professionally and in community service, and it is my honor to commend him to the senate as an excellent choice for the federal bench.

Judge Young has earned an outstanding reputation through his eight years as Vanderburgh circuit court judge, and as a trial attorney for 10 years before that. He has broad legal background, both in his job as judge, and in professional organizations. Currently a member of the board of directors of the Indiana judicial conference, Judge Young also is the former president of the Evansville Bar Association. In addition, it is significant to note that Judge Young has worked in the Department of Justice, and has served as a public defender in Vanderburgh county.

During his time as judge, Judge Young has shown himself to be a diligent worker, handling in a recent year 79 jury trials.

However, it is not only Judge Young's extensive experience and excellent work ethic that make me confident he will bring sound, solid hoosier values to the federal bench. Judge Young also has a proven record of dedication to community service. Before he took the bench, Judge Young served on the board of trustees of the museum of arts and science of the community foundation, and the community corrections advisory board. Judge young has also served in the Easter Seals Society and has had a role in supporting the Evansville rehabilitation center.

Clearly, Judge Young is a dedicated practitioner of jurisprudence and dedicated servant of his community. I am confident he will be an excellent judge and a credit to the state of Indiana, and it is for this reason I offer my support of his nomination to the federal bench.●

#### THE READING EXCELLENCE ACT

● Mr. COVERDELL. Mr. President, over the weekend, President Clinton used his radio address to call for Senate action on the Reading Excellence Act which seeks to address our Nation's literacy crisis. Under the leadership of House Education and Workforce chairman, BILL GOODLING, this bill passed the other body unanimously in November 1997. I have introduced similar legislation in the Senate as S. 1596. The Reading Excellence Act is also a key component of the Senate Republican leadership's education package, the Better Opportunities for Our Kids and Schools Act, or "BOOKS". While I am pleased that the President has urged passage of our legislation, it

should be clear to everyone that our approach represents a clear contrast to the literacy initiative the President had initially proposed. Having said that, we welcome President Clinton to real education reform—you've come a long way.

We clearly have a literacy crisis in this Nation when four out of 10 of our third-graders can't read. Without basic reading skills, many of these children will be shut out of the workforce of the 21st century. According to the 1993 National Audit Literacy Survey, more than 40 million Americans cannot read a phone book, menu or the directions on a medicine bottle. Those who can't learn to read are not only less likely to get a good job, they are disproportionately represented in the ranks of the unemployed and the homeless. Consider the fact that 75 percent of unemployed adults, 33 percent of mothers on welfare, 85 percent of juveniles appearing in court and 60 percent of prison inmates are illiterate.

Although over \$8 billion is spent by the Federal Government each year to promote literacy, little progress has been made. Last year, President Clinton recognized this problem, but his "America Reads" proposal offered more of the same. Under the President's plan, the government would recruit one million volunteers to teach reading, under the direction of AmeriCorps. Rather than relying on a million untrained volunteers to teach reading to our young children, we offered a better approach which the President has now endorsed: Let's help our reading teachers do a better job. Our legislation, the Reading Excellence Act, would accomplish the following:

First, our bill would focus on training teachers to teach reading—less than 10 percent of our teachers have received formal instruction on how to teach reading. Moreover, we would ensure that teachers are taught in methods proven by sound scientific research to be effective, such as phonics.

Second, the Reading Excellence Act authorizes grants for extra tutorial assistance for at-risk kids. Parents with children experiencing reading difficulties could apply for funds to purchase extra help from a list of providers supplied by their school.

Third, our bill provides literacy assistance for parents so they can be their children's first and most important teacher. It also ensures that 95% of the literacy funds are driven to the classroom where they will help kids the most.

In last year's appropriations process, \$210 million was appropriated for a literacy program, contingent on passage of an authorization bill by July 1, 1998. As I stated, the House has already unanimously passed this bill. It is now up to the Senate to act on similar legislation before the schools let out for summer. The Reading Excellence Act will provide today's children the tools to be successful in tomorrow's workforce. Helping to ensure every child can