Congressional Closeup by Carl Osgood

Producers defended in hearing on free trade

Professional economists took it on the chin from Sen. Byron Dorgan (D-N.D.), during a Senate Finance Committee hearing on free trade policy on June 11. Dorgan told the committee, "I think it's wonderful to have distinguished economists testify today. I would encourage you, however, to invite some farmers and some businessmen, some oil drillers and others who really know about trade policy. It's safe to say that there has never been an economist or a journalist who's lost a job because of bad trade policy."

Dorgan appeared before the committee as a witness, and was followed by Treasury Secretary Robert Rubin, Council of Economic Advisers Chairman Janet Yellen, and Deputy Treasury Secretary Lawrence Summers.

Underlying the hearing were fears about the effects of the economic collapse in Asia on the U.S. merchandise trade deficit. However, Dorgan tended to characterize the situation as one of other countries trying to take advantage of trade policy to the detriment of the United States, including the recent purchase of a shipload of European barley by a Stockton, California company (which resulted from the breakdown of U.S. rail service). "If any of us think," he said, "that this trade policy has the respect of producers in this country who every day go to work and try and confront those kinds of issues raised by that kind of behavior, we are dead wrong. We need to fix this."

On the other hand, Rubin and Yellen said that the growing trade deficit was a sign of the strength of the U.S. economy. Rubin said that "the driving force" in the U.S. economy "has been domestic demand, although exports have also increased at a rather nice pace, but foreign demand, as a general proposition, has not increased as rapidly as domestic demand."

Yellen tried to clarify the "substantial confusion" that surrounds the interpretation of trade balance figures. Her central point was that "the benefits of increased international trade are reflected in higher real incomes and not in a smaller trade deficit."

Gingrich threatens CBO over economic forecasts

On June 9, House Speaker Newt Gingrich (R-Ga.) sent a letter to Legislative Branch Appropriations Subcommittee Chairman James Walsh (R-N.Y.), expressing concern "about the increasing evidence that the Congressional Budget Office (CBO) is utterly unable to consistently and accurately predict future revenues or even the fiscal implications of changes in budget policy." He demanded that Walsh, whose subcommittee funds the CBO, "direct the CBO to address these shortcomings immediately." Gingrich complained that the CBO "missed" the alleged $53 billion surplus in the fiscal year 1998 budget, and threatened that if it doesn't address underestimates of supposed GDP growth, "I believe we must review the structure and funding for the CBO in this appropriations cycle."

Gingrich's letter is widely seen as an election-year ploy to get more tax cuts. The following day, House Minority Leader Richard Gephardt (D-Mo.) said that the Republicans "need to let the CBO perform its congressionally mandated function without their unwarranted meddling. . . . We need to base our budgeting on accepted budgetary practices, not slanted calculations generated to please the Speaker."

Senate Minority Leader Tom Daschle (D-S.D.) labelled Gingrich's demand "cooking the books." He said, "To throw a tantrum, to tell [CBO director] June O'Niell, 'We want you to cook the books to fit our agenda,' is unbelievable. It's preposterous."

Gingrich's letter comes in the context of negotiations on the budget resolution between the House and the Senate. Senate Majority Leader Trent Lott (R-Miss.) had hoped to appoint Senate conferees by June 11 or 12, but told reporters on June 15 (Senate conferees were appointed later that day) that the numbers provided by the CBO were "part of the problem." He predicted that the Senate would not take up a conference report before the July 4 recess.

A few years ago, Republicans were complaining that the CBO's numbers were too optimistic. Now, they claim, CBO is being "overcautious."

Outlook improves for tobacco bill

The tobacco bill survived its third week of consideration on the Senate floor in June, when two key Republican amendments were passed. One, passed on June 9, increases funding for interdiction activities by $1.4 billion per year; the other, sponsored by Phil Gramm (R-Tex.) and passed on June 10, repeals the so-called marriage tax penalty. Both take funds out of the trust fund set up in the tobacco bill.

The Democrats offered alternatives which didn't differ substantially from the Republican amendments in principle, but treated the tobacco trust fund differently. John Kerry (D-Mass.) said that the Democrats' anti-drug amendment did the same thing as the GOP amendment by Paul Coverdell (R-Ga.), but "it does so in a way that does not strip from the tobacco legislation the capacity to perform what we set out to perform under the health provisions."

The bill still faces an uncertain fate, because of intransigence on both sides, and the refusal of Speaker Newt Gingrich (R-Ga.) to bring it up for consideration in the House. Senate Minority Leader Tom Daschle (D-S.D.), in a press conference on June 12, challenged Gingrich to come up with an alternative to the bill sponsored by John McCain (R-Ariz.). "We are certainly willing to look at alternatives," he said, "but I think [Gingrich] has a lot of persuading to do before he can successfully conclude that there is a better way than what Senator McCain and many of us have been proposing."

Senate Majority Leader Trent Lott (R-Miss.) hinted that the bill might be pulled. "We have got to come to some conclusion," he said on June 15, "so that we can move [on] to very important appropriations bills." He complained that the bill had become much larger than was needed to accomplish its goals relating to health care and teen smoking. He held out hope, however, that it might be possible to come up with a smaller bill that would be acceptable to the House.

Bankruptcy reform clears the House

On June 10, the House passed the "Bankruptcy Reform Act of 1998," by a vote of 306-118. The bill takes the same approach of "personal responsibility," ignoring the economic crisis, that underlay the 1996 welfare reform.

The bill requires a means test to determine eligibility for Chapter 7 bankruptcy, and gives unsecured credit card debt a higher priority against nondischargeable debts such as child support and alimony payments. Those who don't meet the means test are required to come up with a payback plan for at least 20% of their debts, under Chapter 13.

The bill was watered down a bit in the Judiciary Committee, where the Chapter 7 disqualification was raised from 75% of national median income (as determined by the Internal Revenue Service) to 100%. Committee Chairman Henry Hyde (R-Ill.) said that this was done to address "a major argument of opponents that the needs-based formula was too harsh in its treatment of people with very limited means."

The central issue was over what is responsible for the record 1.4 million personal bankruptcies in 1997. Almost without exception, supporters of the bill repeated the mantra that the United States is enjoying the "strongest economy in 30 years." Bill McCollum (R-Fla.), a principal sponsor of the bill, said that the reason that people "are not going to a payback plan when they could afford to pay back their debts as they once did, at least in larger numbers than they do now, . . . is because people are not exercising individual responsibility."

Opponents blasted the bill as a boon for credit card companies. Jerrold Nadler (D-N.Y.) said the bill had only one central purpose: "to take large sums of money from middle- and low-income Americans in distress and give it to the credit card companies; and, while we're at it, to take large sums of money from other creditors and give it to the credit card companies." Nadler referred to evidence that the skyrocketting rate of individual bankruptcies is a result of the disintegrating economy. What causes bankruptcy, he said, is not the bankruptcy code, as the GOP argues, but rather, "lack of health insurance, downsizing, jobs moving abroad, family disintegration. . . ."

Campaign finance reform faces obstacles

On June 10, the House debated a constitutional amendment to allow the placing of limits on contributions and spending in state and Federal elections. The amendment was introduced on May 14 by Majority Whip Tom Delay (R-Tex.) on behalf, he said, of Minority Leader Richard Gephardt (D-Mo.), as part of the agreement between Speaker Newt Gingrich (R-Ga.) and reformers. The fact that it only received 29 votes led to the suggestion that the debate was contrived as part of a strategy to bury the issue.

Marty Meehan (D-Mass.), a co-sponsor of one of the major bills, said of the opponents of reform: "Their message is that any campaign finance reform is impossible without amending the United States Constitution, and nothing could be further from the truth." Gephardt complained that the opponents of reform "want to kill the process" by "endless debate and amendment." He said, "The only way proponents of reform can prevail is through single-minded focus" on the bill co-sponsored by Meehan and Christopher Shays (R-Conn.).

The agreement under which the issue will be debated was modified to allow 258 amendments to the underlying bill, all but ensuring that the debate will never be concluded. Shays and Gephardt are asking supporters of reform to vote "present" on all but the Shays-Meehan proposal, to ensure that none of the others receive more votes than it does.