Congressional Closeup by Carl Osgood

New budget numbers project large surpluses

On Jan. 26, the Congressional Budget Office released a new set of numbers projecting budget surpluses over the next ten years of about $1 trillion more than the last set of numbers released only six months ago. CBO Director Dan Crippen told the Senate Budget Committee that the off-budget Social Security surplus will amount to more than $2 trillion and the on-budget surplus will be almost $1.9 trillion. He projected that, if these surpluses hold, the entire Federal debt could be paid off in the next ten years.

Crippen's forecast contained a number of caveats, however. The first is what the budgeters call the "baseline," that is, the economic projections that underlie the budget projections. As ranking committee member Frank Lautenberg (D-N.J.) noted, "Booms do not last forever, and when they end, sometimes the results can be catastrophic." That is presuming, of course, that the skyrocketing U.S. financial markets were somehow based on reality.

The CBO has calculated three variations on how the appropriations process might play itself out, depending on whether the spending caps in the 1997 balanced budget agreement are adhered to. However, there seems to be little consensus that the caps will be maintained, and even a freeze based on fiscal 2000 spending levels, as House Budget Committee Chairman John Kasich (R-Ohio) has reportedly proposed, "would require unprecedented restraint," said Crippen.

While Democrats and Republicans disagree on what baseline should be used (Democrats believe an on-budget surplus of $800 billion is a more realistic projection), both sides came out of a meeting at the White House on Feb. 1 agreeing, at least publicly, on general principles—to pay down the Federal debt and to save Social Security and Medicare.

Tax-cut contest gets off to quick start

The battle over which party is offering better tax cuts got off to an early start this year, when President Clinton included various proposals in his State of the Union message on Jan. 27. Among his proposals is the politically popular marriage penalty relief. Under the President's proposal, a married couple would be able to take twice the standard deduction of a single filer. The proposal would also increase the standard deduction for married couples by $500 in 2005. White House National Economic Adviser Gene Sperling said the President's proposal would aid 42 million families.

The GOP wasted little time putting forward a "bigger, better" proposal. The Republican plan, as unveiled by House Ways and Means Committee Chairman Bill Archer (R-Tex.) on Feb. 1, not only doubles the standard deduction, but it also expands the 15% tax bracket for married couples to twice the level for singles and raises the income phase-out limit for the earned income tax credit by $2,000. Archer described his plan as "fair," "broad-based," and concentrated on "helping lower and middle income taxpayers while at the same time helping all married couples." Archer said that the President's proposal gives "short shrift" to marriage penalty relief, but that his bill does much more to eliminate the "inequities in the code."

While marriage penalty relief has always had broad support in both Houses, the GOP has more recently attached it to very large tax-cut packages that had little chance of being signed into law. Archer's bill signals a new approach in that it applies only to the marriage penalty. "This will be a single-shot marriage penalty relief bill," he said, "and we'll keep it that way in the committee." Archer indicated that starting out with a single tax bill, rather than the large tax-cut packages of the past, improves its chances of being signed into law.

Marriage penalty relief, education savings accounts, and the American Community Renewal Act are a three-part tax-cut agenda that the GOP plans to promote during the remainder of the 106th Congress.

Sparring begins over legislative agenda

Despite the competing agendas of the two parties, the second session of the 106th Congress has, so far, been characterized by unusual comity on both sides. The House and Senate leaderships of both parties came out of a meeting at the White House on Feb. 1 in very conciliatory moods. House Speaker Dennis Hastert (R-Ill.) told reporters, "I think there's a lot of mutual ground that we can work with the President." His comment was echoed by Senate Majority Leader Trent Lott (R-Miss.), who listed the budget, education, health care, and trade as issues on which cooperation is possible.

The atmosphere was so friendly that Senate Minority Leader Tom Daschle (D-S.D.) joked that this was the first time he was able "to agree with every single word" from his Republican colleagues. Daschle later attributed this apparent spirit of cooperation to "political fatigue," resulting from the partisan acrimony of the last couple of years.

However, a number of items on the agenda are likely to cause problems, among them the Patients Bill of Rights. Although the GOP has shown some softening in its opposition to allowing patients to sue health maintenance organizations for damages, House Majority Leader Dick Armey (R-Tex.) told reporters on Jan. 27, "You have to accept that you will not be able to pass legislation that does not have some form of liability. . . . There is compelling pressure out there for some litigation." After the White House meeting, Lott said that he expected that Sen. Don Nickles (R-Okla.), who will chair the conference committee working on the bill, would make an announcement soon as to when that committee would begin its work.

Bankruptcy reform debate reopens in Senate

As its first order of business upon returning from the winter recess, the Senate took up the bankruptcy reform bill that had stalled at the end of the session last November. Republicans and Democrats agreed to limit amendments to no more than a dozen from among more than 100 that the bill had become mired in. The bill makes it more difficult for filers to file Chapter 7 bankruptcy, which allows total liquidation of certain kinds of unsecured debt, and forces them into Chapter 13, which requires a plan to pay off a filer's debts in three to five years. Supporters of the bill argue that soaring rates of personal bankruptcy filings in recent years are resulting from "abuse" of the system by debtors who are only trying to avoid paying their debts.

The bill appears to have the votes to pass, but Paul Wellstone (D-Minn.), on the Senate floor on Jan. 26, said it is "fundamentally flawed," because it contains numerous provisions "which are harshly punitive to those citizens who are the most vulnerable in our country." The bill addresses a crisis that no longer exists, because the number of bankruptcy filings has started to decrease, he said, and "it rewards predatory and reckless lending by banks and credit card companies, which fed the crisis in the first place, and does nothing to actually prevent bankruptcy or to promote economic security for working families."

Wellstone pointed out that the bill makes no distinction between a person who goes bankrupt because of reckless spending habits and one who goes bankrupt because of an unforeseen crisis such as a medical emergency or loss of employment. "Bankruptcy," he said, "does not occur in a vacuum. We know, in the vast majority of cases, it is a drastic step taken by families in desperate financial circumstances and overburdened by debt."

The only response to Wellstone's arguments was an announcement by Judiciary Committee Chairman Orrin Hatch (R-Utah) that he would be offering a motion to table Wellstone's two amendments to the bill, on predatory lending and coercive debt collection practices.

Push is on to approve China's entry into WTO

Supporters of China's accession to the World Trade Organization (WTO) are seeking for Congress to extend permanent normal trade relations (NTR) to China as quickly as possible. President Clinton, in his State of the Union address on Jan. 27, called on Congress to act "as soon as possible." House Minority Leader Richard Gephardt (D-Mo.) told reporters earlier that day that, because it's a "tough, divisive issue in both parties," the feeling is "that, rather than getting enmeshed in the election," which is what would happen if the issue is taken up late in the session, "it's more appropriate that it come up earlier in the year."

However, a number of unresolved issues are slowing the process, among them China's negotiations with the European Union and other major parties in the WTO. House Trade Subcommittee Chairman Phil Crane (R-Ill.) told an Asia Society luncheon on Feb. 1 that it is not clear whether Congress can vote on NTR until these other negotiations are completed. "Thus far," he said, "I have not had any favorable response to initiating the procedure prior to China accessing WTO." He acknowledged that election year politics is compounding the difficulties. "I think it is vital that we try and anticipate no later than the month of June or very early July at the latest," for concluding the process, he said.

Crane said that permanent NTR is necessary for the United States to take advantage of China's membership in the WTO. "We could renew it on an annual basis, as we've done," he said, "but that doesn't mean that we're going to have the trade benefits that occur with WTO membership."

There's no indication yet that the process will move as quickly as Crane and the Clinton administration are hoping for. Senate Majority Leader Trent Lott (R-Miss.) told reporters on Jan. 27, "I don't know how it could come up before the middle of the summer at the earliest, and maybe later. The Senate is not going to rush to judgment."