

Congressional Closeup by Carl Osgood

Tax Cut Proposal Fuels Partisan Rhetoric

Democrats are digging in their heels in opposition to President Bush's proposed \$1.6 trillion tax cut. On Feb. 8, Senate Minority Leader Tom Daschle (D-S.D.) told reporters that \$1.6 trillion is only the "base price" for the tax cut. What he called the "hidden costs" have to be added to it, including \$80 billion to extend expiring tax provisions, which are routinely extended every year; \$200 billion to reform the alternative minimum tax; and another \$500 billion in interest costs because the national debt won't be paid down as fast as it otherwise could be. Daschle estimates that the actual cost of the tax cut will be on the order of \$2.6 trillion.

Democrats also attacked the projections on which the tax cuts are based. Daschle warned, "If the economy grows just eight-tenths of 1% slower than projected, the size of the surplus [over ten years] drops \$4 trillion." House Minority Leader Richard Gephardt (D-Mo.) said, "There isn't a family in this country that makes economic and spending decisions today based on what their income is going to be ten years from now."

Senate Budget Committee Chairman Pete Domenici (R-N.M.) responded during a Budget Committee hearing on Feb. 12, "We have no intention of producing a budget that will have tax cuts of more than \$1.6 trillion. . . . We intend to pay down the national debt absolutely as fast as it can be paid down." He added, "We intend to fund all of the priorities that have been discussed by the President and others," including education, prescription drugs, and so forth.

As for the economic projections, Secretary of the Treasury Paul O'Neill, who has become the Administration's chief lobbyist for the tax

cuts, told the House Ways and Means Committee on Feb. 13, that making such long-term decisions is not unlike making business decisions, such as whether or not to build a new plant that will last 40 years. With the tax code, he said, "people make decisions in anticipation or in good faith on the basis of what you all do, so that if you say you're going to enact a phase-in program for death taxes or the marriage penalty, people rely on that." He suggested that there's a 25% safety valve built into the Congressional Budget Office forecasts, but that fiscal discipline is needed to protect that.

Minimum Wage Increase Gets Boost from Democrats

Democrats are promising that they will fight for an increase in the minimum wage. On Feb. 7, Sens. Edward M. Kennedy (D-Mass.) and Barbara Mikulski (D-Md.), and House Minority Whip David Bonior (D-Mich.), announced that they will introduce legislation to increase the minimum wage from \$5.15 to \$6.65 over the next two years. The increases would be in increments: 60¢ 30 days after enactment, 50¢ a year after that, and another 40¢ a year after that.

Kennedy showed reporters charts that indicated that low-wage workers are earning less than they were 20 years ago despite the fact that they are working more hours, especially in the bottom fifth of the working-age population. Bonior added that if Bush wants to prove that he's a compassionate President, this is his opportunity.

Kennedy and Bonior indicated that they are prepared for a confrontation with the White House over the issue. This would come if the GOP tries to add a provision allowing states to opt out of the Federal minimum wage;

Secretary of Labor nominee Elaine Chao indicated during her Jan. 24 confirmation hearing that President Bush would support such a provision. A second issue would be an attempt to link a minimum wage increase to business tax cuts. Such a link killed similar legislation last year.

Bonior warned the White House to be cognizant of what happened to Bush's father in 1991-92, when he refused to support additional funding for the unemployment compensation fund. Bonior said that Democrats "went after that issue with a vengeance," and that this time, "we will engage in the same type of intense efforts." He added, "It will be incumbent upon President George W. Bush to understand how that debate, back in the 1980s and early 1990s, affected his father. It will affect him as well, unless he understands how serious we are, and how serious the American people are about making sure we get a minimum wage for these workers, and not a minimum wage which allows states to opt out at their whimsy."

Patients Bill of Rights Sabotaged by Bush

On Feb. 7, President Bush sent a letter to Congress outlining his principles for Patients Bill of Rights legislation that is somewhat at odds with the bill that was introduced by Sens. John McCain (R-Ariz.) and Edward Kennedy (D-Mass.) the day before. In a statement of principles accompanying the letter, Bush said that coverage should be "comprehensive," patients should exhaust their appeals before resorting to litigation over a treatment decision, that lawsuits should all be directed to Federal court, and that damage awards should be subject to "reasonable caps."

The McCain-Kennedy bill would only force lawsuits to Federal court in certain cases, whereas all other cases go to state court, which typically allow larger damage awards than Federal courts. McCain said, "It isn't clear how the President would protect existing state laws, such as those in Texas and Arizona, by insisting that all disputes be handled in Federal court."

Water Infrastructure Plan Gets Backing

On Feb. 13, Sen. George Voinovich (R-Ohio) and Reps. Sherwood Boehlert (R-N.Y.), John Dingell (D-Mich.), and Peter DeFazio (D-Ore.) were joined by Detroit Mayor Dennis Archer to endorse a plan for vastly increased support for city and state water systems by the Federal government. The plan was assembled by the Water Infrastructure Network, a coalition of water and sewage treatment associations.

The report recommends about \$57 billion in Federal investment over 2003-07, as opposed to the current funding level of about \$3 billion per year. This increased funding would be used to help states and localities address unmet needs in water and sewage infrastructure upgrades, including the replacement of infrastructure that, in many cities, is up to 100 years old.

The participants in the press conference emphasized that water infrastructure is critical to the health and welfare of the population, and is essential to the economy. Dingell reported that "there is near-agreement among all" parties concerned "that there is a vast need for greater investment from the Federal government." Boehlert warned that without adequate funding, all the gains resulting from the 1972

Clean Water Act will be lost. Voinovich said that many communities are facing water rate hikes of up to 150% as a result of efforts to comply with recent new mandates imposed by the Environmental Protection Agency.

However, when this reporter raised whether this initiative may come into conflict with President Bush's tax-cut plan, Voinovich replied, "It's important that the White House take into consideration unmet needs." He added, "We need to see what needs to be done and find a way to get it done." He promised that, even if the legislation that he has already introduced to increase the Federal contribution to the state water pollution control revolving funds is not passed this year, he would make an effort to increase funding in future years. Voinovich endorsed the formulation put forward by DeFazio, that making the necessary investments in water infrastructure would put more money into people's pockets faster than a tax cut, both through the economic effect of water improvement projects, and through resulting lower water rates.

Social Security Lockbox Bill Passed by House

On Feb. 13, the House passed a so-called Social Security lockbox bill, by a vote of 407-2. "Under this legislation," said Pete Sessions (R-Tex.), "we will be honest with the American public and exercise fiscal discipline by locking away all the surpluses from the Social Security and Medicare trust funds." The bill creates a point of order against any legislation, be it a bill, an amendment, a conference report, or a budget resolution, that "spends any of the Social Security or Part A sur-

pluses."

The overwhelming bipartisan support of the bill did little to cover over the fact that it's largely an exercise in politics. Jerrold Nadler (D-N.Y.), one of only two Democrats to vote against the bill, called the lockbox "nonsense," which has been embraced by members of both parties for opportunistic reasons. He explained that the Social Security trust fund surplus is not retained in cash, but is invested in government bonds. "What the government does with that money has no bearing on the security of the Social Security trust fund," he said.

Nadler said that "the proceeds of borrowing from Social Security and paying it back with interest for anything other than paying down the debt . . . is a good excuse on the part of some why we cannot have government spending for things that otherwise people . . . might want to spend it on," such as prescription drugs, housing, health, education, or the defense budget. Nadler added that, though it might make sense this year to use the surplus to pay down the national debt, "it makes no sense to tie the hands of future Congresses and say that always in the future, in all circumstances, the best economic choice for the United States, the best policy choice, the best budget choice, is to use that money for paying down debt."

The Democrats don't want to be seen as opposing setting aside Social Security and Medicare, but that didn't stop them from complaining about the procedure under which the bill was brought to the floor. Tony Hall (D-Ohio) complained that Democrats couldn't amend the bill with their alternative. The bill has "worthy aims," Hall said, but "it does not take Medicare off-budget which would give Medicare the same protection as Social Security."