Congressional Closeup by William Jones

GATT agreement coming under fire

President Clinton and senior trade officials met on July 22 with Senate Majority Leader George Mitchell (D-Me.), Senate Minority Leader Robert Dole (R-Kan.), and key committee members from both parties to work out agreements to get smooth sailing for the General Agreement on Tariffs and Trade agreements, including promises to make additional spending cuts in the budget in order to offset GATT revenue losses.

All sorts of objections have been raised to this massive trade agreement, in a fight which some observers have dubbed "NAFTA II." The greatest objection is to the proposed World Trade Organization, which, according to the agreement, will serve as an international supreme court on trade disputes. Many congressmen on both sides of the aisle feel that this poses a threat to national sovereignty.

Even some traditional free-trade advocates are having trouble with GATT. "Up until this moment, I have never met a trade bill I didn't like," said Sen. Bob Packwood (R-Ore.). However, Packwood said, GATT "is a bill that I would only want to have a passing acquaintance with. I wouldn't want it to marry my daughter." Packwood said that "a number of Democrats" planned to vote against GATT, because of concerns over the new subsidies code and over to how to pay for the pact. "If some of these concerns are not addressed, then I don't think this is going to pass this year," he said.

The administration wants Congress to ratify the pact this year. In a letter to Congress, Treasury Secretary Lloyd Bentsen urged quick support from both parties so America can lead the world toward freer trade. "To maximize economic growth potential in the United States, it is imperative that a bipartisan majority of Congress approve GATT this year," he wrote.

On July 12, when the bill was under consideration by the House Ways and Means Committee, there were still two outstanding issues: the financing of the agreement and renewal of fast-track rules. Bentsen outlined a $12 billion package of tax hikes and spending cuts that would meet U.S. budget rules and make up for tariff revenues lost as a result of the agreement. Among the proposals were a $1.6 billion cut in farm programs, $1.3 billion in new inventory accounting taxes, and $1 billion from reform of a government pension guarantee fund.

Another possible point of conflict involves the administration's request for broad new negotiating authority to ensure that future trade treaties carry environmental and labor safeguards.

Death penalty, gun control holding up crime bill

The Congressional Black Caucus (CBC) failed to convince the Clinton administration to make a fight for the "racial justice" clause added to the Crime Bill by the House. Although the administration has no objection to the clause, the Senate has made it clear that the bill would not pass if it contained that clause. The measure would allow death-row defendants to contest their sentences based on statistics indicating racial inequity in death penalty cases.

Anxious to pass crime legislation this year, the administration indicated to the CBC that it would implement the goals of the Racial Justice Act by Executive Order for federal death penalty cases. On July 22, Senate Republicans unsuccessfully attempted to preempt such an Executive Order.

Another contentious issue in the crime bill has been gun control. House Judiciary Committee Chairman Jack Brooks (D-Tex.) has proposed deleting the AR-15 rifle from a proposed ban on assault weapons, lifting the ban on copycat rifles, and doubling the maximum allowable capacity of gun clips to 20 bullets. This has caused a furor among gun-ban advocates such as Rep. Charles Schumer (D-N.Y.), a chief sponsor of the legislation. Schumer seems confident that the House will ban assault weapons "without any debilitating amendments."

Others want to scrap the crime bill entirely. Many Republicans feel that the bill is not "tough enough." Rep. Tim Penny (D-Minn.) argues that one should not federalize what is essentially a state issue. "All this is driven by the public opinion polls," he said, "and is an example of Congress at its worst. . . . There is precious little the federal government should do to address street crime in the first place."

Bentsen cautions against action on derivatives

Treasury Secretary Lloyd Bentsen assured lawmakers on July 19 that a panel of regulators is working to tighten oversight of the derivatives market and that he therefore doesn't see any immediate need for legislation. Bentsen, chairman of the Working Group on Financial Markets, said agencies represented on the panel are continuing to review their existing authorities. "If we determine that further authority is needed, we will alert Congress, and additional appropriate authority will be requested," he said. He added that instead of pushing for legislation, financial regulators are amending and updating regulations to cope with the derivatives market.

Bentsen issued a report to Rep. John Dingell (D-Mich.), chairman of the House Committee on Energy and Commerce, which has oversight over financial markets, on July 18. Dingell's office released the report on July 20.

Bentsen's panel includes the heads of the Federal Reserve, Securities and Exchange Commission, and the Commodity Futures Trading Commission. The panel was originally formed to examine the causes of the 1987 stock market crash.

Dingell asked the group in May to comment on issues raised by a General Accounting Office report that called for regulations in the face of the explosive growth of the derivatives market. Responding to Bentsen's report, Dingell said he was "encouraged" by actions taken so far by regulators to address concerns raised by the GAO, the investigative arm of Congress. "While it did not identify a need for legislation at this time, it is an issue we will address in the future if necessary," Dingell said.

So far, four bills have been introduced in response to the growing threat to the global financial system posed by the derivatives markets.

Courts threatening black majority districts

A federal court in Louisiana on July 22 ruled that a new plan for a black-majority congressional district is an unconstitutional product of racial gerrymandering. The decision by the three-judge panel came just one week before candidates were to file for the October primary.

The district, now represented by Cleo Fields (D), was created as a result of the Voting Rights Act of 1992, which mandated redistricting in order to give black minorities in the South more proportionate representation. Fields will continue to serve until an outside specialist hired by the court draws up a new plan and elections can be held. Fields's 4th Congressional District is one of two with a black majority among Louisiana's seven.

The Louisiana case is one of several pending court cases aimed at "rolling back" the results of the Voting Rights Act. A similar case is pending in Rep. Cynthia Kinney's (D-Ga.) district, as well as in five other black districts in the South created by the Voting Rights Act.

Greenspan warns: More rate hikes coming

In testimony before the Senate Banking Committee on July 20, Federal Reserve Chairman Alan Greenspan left open the possibility that the central bank will raise interest rates further, on the pretext of heading off inflation and "prolonging" the economic expansion. Several lawmakers criticized the Fed for trying to choke off growth while millions of Americans remain out of work.

In his mid-year Humphrey-Hawkins report to Congress on the state of the economy, Greenspan said it was an "open question" whether the Fed's four interest rate increases so far this year would be enough to stem inflationary pressures. Greenspan said he saw signs that the economy was running into the sort of "bottleneck" that often presages higher inflation, and that the central bank needed to be "particularly alert" to that. "It is an open question whether our actions to date have been sufficient to head off inflationary pressures and thus maintain favorable trends in the economy," he said.

Greenspan indicated that most Fed policymakers want to do more to bring inflation down further over the medium term. "Our nation has made considerable progress in putting the economy on a sound footing in the past few years," he claimed. "To preserve and extend these advances, our monetary and fiscal policies will need to remain disciplined and focused on our long-term objectives."

After raising interest rates by 1.25 percentage points earlier this year, the central bank's policymaking Federal Open Market Committee decided to hold monetary policy unchanged at its meeting on July 5-6. Greenspan said the Fed would be pleased to see faster growth and lower unemployment, provided it were coherent with the Fed's ultimate goal—price stability. Greenspan blamed the growth in unemployment on "structural" forces beyond the control of the Fed.

Senate slashes District of Columbia budget

The Senate voted on July 21 to require the District of Columbia to cut its spending by at least $100 million next year and to shrink its workforce by 3,559 positions in the next five years. The House voted the week before to cut $150 million from the District's budget.

The workforce cuts were the brainchild of Sen. Phil Gramm (D-Tex.), co-author of the unworkable Gramm-Rudman "budget-balancing" amendment. Gramm warned the District leadership: "If the District of Columbia is unable or unwilling to deal with its bloated welfare rolls and employment rolls, I think at some point the Congress is going to exercise its rights under the Constitution and step in."