

Congressional Closeup by Carl Osgood

Rubin: markets will enforce balanced budget

Treasury Secretary Robert Rubin told the Senate Judiciary Committee on Jan. 17, that a balanced budget constitutional amendment is not only not needed, but potentially dangerous. "A balanced budget amendment is a threat to our economic health, will expose our economy to unacceptable risks, and should not be adopted. I also believe that a balanced budget amendment is not necessary to achieve the critical objective of balancing the budget," he said. Rubin explained: "A new enforcing factor is at work, which is the emergence of global markets, that are highly focussed, intensely focussed on a nation's fiscal position, that I believe will severely punish nations that do not have fiscal responsibility as a central part of their economic strategy."

Rubin said that a balanced budget amendment "could turn economic slowdowns into recessions, and recessions into more severe recessions or even depressions; it could prevent us from dealing expeditiously with emergencies, such as national disasters or military threats. Third, it would seriously increase the risk of default on our national debt."

While most of the exchange among Rubin and the senators concerned protecting Social Security and whether it should be included in calculating the deficit, the most interesting exchange was on economic growth. Richard Durbin (D-Ill.) told Rubin that, not balancing the budget, but rather, "an expanding American economy creating good-paying jobs is our highest priority." Rubin replied that that "really should be our highest priority for the reason you said; because I believe it is necessary if we're going to have an expanding economy."

Rubin explained that in a recession,

a balanced budget amendment would force the government to do the opposite of what is needed to moderate the recession, "that, instead of allowing tax revenues to fall and instead of allowing unemployment insurance payments to go up, which moderates the recession, it would require that you either raise taxes or cut unemployment benefits or other expenditures" which would "exacerbate the recession."

Durbin pointed out that "our expenditures on the capital side create economic resources for future generations. . . . Since we don't parse the Federal budget into a capital and operating budget, we are really going to sacrifice, in terms of economic investments by this government, long-term infrastructure investments that might create economic growth."

Delegation reports on trip to China

A bipartisan delegation of House members led by Jim Kolbe (R-Ariz.) reported on their trip to Hongkong, Beijing, Xian, and Shanghai, at a press conference on Jan. 16. They met with China's President Jiang Zemin, senior diplomats, business leaders, and provincial officials.

The statement released by Kolbe announcing the visit, said, "The time has come for Congress to forge a more coherent, bipartisan policy toward China." It said they would explore a range of issues, including the "transition of Hongkong to Chinese sovereignty, U.S.-China economic and trade relations, and the progress of internal civil and economic reforms."

Kolbe called for moving beyond the annual "destructive" annual fight in the United States over renewing Most Favored Nation (MFN) status for

China. During the visit, Kolbe issued a statement saying that China was unlikely to be granted permanent MFN status this year, because the move would have to be certified in June, the same month as the transfer of Hongkong. "We want to monitor Hongkong for a year before we make any change," he said.

John LaFalce (D-N.Y.), one of the members of the delegation, said on Jan. 16 that he was concerned about how the Chinese would react to the sale of F-16 fighters to Taiwan, scheduled to begin in 1998. LaFalce said that he had last visited China in 1979, and was "stunned by the changes in the country." China and the United States now have far more in common than they did before, he said. "The U.S.-China relationship is the most important bilateral relationship for at least the next 50 years, not only for the U.S., but also for the world."

Vento reports on visit to the Balkans

At a press conference at the Capitol on Jan. 16, Rep. Bruce Vento (D-Minn.) reported on the visit of a delegation to Belgrade, Montenegro, and Croatia (they couldn't visit Bosnia because of the weather). The group delivered a letter to Serbian President Slobodan Milosevic, signed by 35 congressmen, criticizing press censorship, supporting the release of "pro-democracy" demonstrator Dejan Bulatovic, calling for the "implementation of free and fair elections," and adherence to the provisions of the Dayton peace agreement.

Vento said he had talked extensively with Serbian Foreign Minister Milan Milutinovic, pressing for freedom of the press and acceptance of the

municipal election results. He was asked if he was concerned by the support for Serbian nationalism by opposition leaders Vuk Draskovic and Zoran Djindjic. Vento replied, "We didn't pick that up in our conversations with them."

Vento said the most important discussions he had were about "freedom of the press." He said he took issue with Croatian government officials on the censorship of Radio 101 (which is supported by speculator George Soros), and had brought back Croatian journalist Zerinka Rabec Moses to meet with reporters here. Another delegation will visit the Balkans in February.

Clinton nominations get quick action

The Senate unanimously approved the nominations of Madeleine Albright as secretary of state and former Sen. William Cohen (R-Me.) as secretary of defense on Jan. 22. The vote on Cohen was originally scheduled to take place on Jan. 23, but was moved up so that members could attend the funeral of former Sen. Paul Tsongas (D-Mass.), who died just days earlier.

No controversy was expected on either nomination, but Republicans took the opportunity to take swipes at Clinton administration foreign policy. Foreign Relations Committee Chairman Jesse Helms (R-N.C.) told the Senate, "My support for the nominee should in no way be construed as an endorsement of the administration's foreign policy." He claimed that many of the "important gains" of the Reagan-Bush years "have been neutralized by a foreign policy too often vacillating and insecure."

Cohen, during his confirmation

hearing before the Armed Services Committee, promised that U.S. forces participating in the follow-on force in Bosnia would be out by the 18-month deadline in 1998. Senators were reassured by Cohen's definition of "America's vital interests," exactly the issue that Helms had attacked the Clinton administration for failing to properly define, during the debate on Albright.

On the same day, Senate committees held hearings on the nominations of Andrew M. Cuomo, son of former New York Gov. Mario Cuomo, as secretary of housing and urban development, with a committee vote expected on Jan. 28; and William Daley, brother of Chicago Mayor Richard M. Daley, as secretary of commerce. Daley won the approval of GOPers when he promised to eliminate 100 patronage jobs in the department.

Senate begins legislative business

On Jan. 21, the Senate began its work, with 178 bills and 14 resolutions introduced, including the lead agenda items of each party. The House remained in recess.

First on the Republican agenda is the Balanced Budget Amendment. Majority Leader Trent Lott (R-Miss.), in introducing it, said that "this needs no explaining," because everywhere in America people "realize the problems caused by excessive Federal spending." He expressed irritation at those who still oppose the amendment, because "we have not had a balanced budget in the Federal government in 28 years and it will probably be at least four more years before we get one, if then."

House Speaker Newt Gingrich (R-Ga.) announced the following day that

Feb. 26 has been set for a vote in the House on the amendment.

The remainder of the Republican agenda, though not advertised as such, looks like a continuation of the "Contract on America." It includes an education bill which gives families "consumer rights and choice in education." It includes the "Family Tax Relief Act," with the oft-promoted \$500 per family tax credit and a reduction in the inheritance tax. There is also a crime bill to "end the abuses . . . by both felons and by Federal judges" of the court system; and, the so-called "Paycheck Protection Act," which "forbids corporations and labor unions to take money from their stockholders and employees or members for political purposes without that person's expressed consent." In addition, a number of bills that were vetoed by President Clinton last year have been reintroduced, including product liability reform and the partial birth abortion ban.

The Democrats answered with 10 bills of their own, with Minority Leader Tom Daschle (D-S.D.) introducing the Democratic agenda. In his floor statement, Daschle said, "American families are asking some difficult questions" about how to pay for their children's education, the family's health care, and their own retirement. "Our challenges this year ought to be to provide the answers to those questions. As we do, we all recognize the limits of government, and we should all recognize the unlimited potential of achievement through bipartisanship."

The bills include issues such as voluntary campaign spending limits, a refundable tax credit for education, tax credits for children's health insurance, a Retirement Security Act, a crime bill that in certain respects overlaps that of the Republicans, and a bill to prohibit noncompetitive practices in the cattle industry.