Congressional Closeup by Carl Osgood

Bankruptcy bill debate ignores U.S. economy

On May 5, the House passed a bill by a vote of 313-108 that would make it more difficult for many filing bankruptcy to discharge their debts. George Gekas (R-Pa.), chairman of the Judiciary Committee Commercial and Administrative Law subcommittee and chief sponsor of the bill, claimed that the bill will "re-guarantee the fresh start to individuals who become so engulfed in debt that there is no other way except for the government to discharge their obligations and to allow them to start all over again." However, the bill provides "a mechanism whereby those individuals who file for bankruptcy can, after a careful screening, be placed in a situation where they could repay some of the debt over a period of years."

The bill would force debtors with a median family income of $51,000 or more to file under Chapter 13, which requires the debtor to repay at least some of his debts over time, rather than Chapter 7, which allows for a total discharge of a debtor's obligations.

Credit card issuers came under sharp criticism from some Democrats opposed to the bill. John Conyers (D-Mich.) said that the bill "will worsen the conditions of those few people" who need access to bankruptcy courts. William Delahunt (D-Mass.) said, "While we do not know the cause of the increase in bankruptcy filings, no one can legitimately dispute that irresponsible lending practices are at the very least a contributing factor."

The debate showed that members of Congress are no closer to understanding the reason for the large increase in personal bankruptcy filings since 1992, which rose to 1.4 million in 1998, than when the same bill was in the 105th Congress. The most serious weakness of those opposed to the bill was their continued acceptance of the mantra of the "prosperous" economy. In fact, as *EIR* has documented, the U.S. physical economy has collapsed roughly 2% per year since the 1970s.

Kosovo spending bill passed by the House

On May 6, the House passed the supplemental appropriations bill by a vote of 311-105. It had begun as an emergency request from the Clinton administration to fund military operations against Yugoslavia. The GOP added billions to the Pentagon budget for readiness, operations and maintenance, military construction, military pay, and retirement, to address funding shortfalls that they hold the Clinton administration responsible for.

The irony of the debate, coming one week after the House failed to pass a resolution supporting the U.S. engagement in the Balkans war, did not escape notice. David Obey (D-Wisc.) said that he was "baffled by the fact that . . . this House declined to support the operation that is now going on in Kosovo, and yet this week the same people, largely, who opposed that motion last week, are now suggesting that we should double the amount of spending for the operation which they said we should not be conducting at all."

Obey offered an amendment that eliminated $3 billion of the Pentagon funds and another $1.8 billion in military construction funds, and added in an earlier supplemental request for disaster assistance in Central America and elsewhere which is languishing in conference committee. Obey said that his amendment was "an honest effort to reach a compromise position between the administration's request and the [Appropriations] Committee's overblown efforts to throw in everything but the kitchen sink."

Appropriations Committee Chairman Bill Young (R-Fla.) took issue with Obey's remarks, saying that the bill was "as clean" a national defense bill as the House has ever seen. Obey's amendment was defeated by a vote of 260-164.

Financial services bill faces veto threat

After three days of debate, on May 6 the Senate passed a bill to allow banks, investment houses, and insurance companies to affiliate, essentially repealing the Depression-era Glass-Steagall Act and helping banks to keep the speculative bubble growing. However, the bill did not garner the same bipartisan and Clinton administration support as the bill passed by the House and the Senate Banking Committee last year, a fact alluded to by Senate Banking Committee Chairman Phil Gramm (R-Tex.), who expressed regret that he had such a difficult time working with the committee's ranking member, Paul Sarbanes (D-Md.).

Democrats complained that the GOP majority on the Banking Committee rammed the bill through. Sarbanes explained that Democrats don't oppose the affiliation of banks, securities firms, and insurance companies. "However," he said, "it is important, in the course of doing that, that we achieve or preserve certain important goals," including "the safety and soundness of the financial system; the continuing access to credit for all communities; [and] protecting consumers." Sarbanes warned that unless these concerns are addressed "in a favorable way we are heading down a path toward a veto."

The substitute amendment sponsored by Sarbanes was tabled on a party line vote of 54-43, and the bill itself was passed by a party line vote of 55-44.