Congressional Closeup by Carl Osgood

Maastricht austerity gets Domenici's backing

On Oct. 21, the Senate Budget Committee, chaired by Pete Domenici (R-N.M.), held the first of three hearings on the impact of the impending European Monetary Union on the United States. The austerity mandated by the Maastricht Treaty, under the strict budget and monetary guidelines imposed as conditions for joining the EMU, has led to mass unemployment in Europe, and the dismantling of the world's most advanced system of health care and other social services.

In his opening statement, Domenici said that "the process of getting to a single currency in Europe and, more importantly, maintaining that currency, must force fundamental structural changes in public pensions in Europe. These changes will provide the U.S. with a virtual real world experience in how to, or how not to reform public pension programs."

Domenici said he was hopeful about the monetary union, because "it mandates prudent monetary and fiscal policy, which should result in lower inflation rates and lower borrowing costs than would otherwise have been the case." He didn't think the United States should be worried about the EMU, "because it is likely to produce many economic benefits for the U.S. However, I think we should be aware of potential U.S. vulnerabilities. . . . It makes sense to me that we should redouble our efforts to boost the U.S. savings rate and decrease our reliance on foreign capital."

The chief European witness, Director General for Economic and Financial Affairs of the European Commission Giovanni Ravasio, backed up Domenici's confidence in austerity. His remarks demonstrated that such austerity is the underlying feature of monetary union, designed to achieve balanced budgets, and even budget surpluses, which, he said, is one of the objectives, not just to reduce deficits to the 3% of Gross Domestic Product target level.

On unemployment, Ravasio said that structural reforms will be needed to overcome "rigidities" in the labor market, one of them being "high wage costs." He said, "The loss of the exchange rate instrument will increase pressure and need for labor market reform in order to create the necessary [budget] flexibility." He reported that pension costs are growing 3-4% annually but that there is a "strong need to reform the pension system, otherwise budgetary discipline will be hard to ensure." Among the reforms being considered are indexation changes and cuts in benefit levels.

Disputes hold up appropriations bills

On Oct. 22, contentious debate over issues unrelated to appropriations bills forced the House to extend the continuing resolution that expired on Oct. 23, to Nov. 7. (A CR allows vital programs to be funded, pending passage of budget legislation.) The Senate followed suit the next day. House Appropriations Committee Chairman Bob Livingston (R-La.) explained during floor debate, that action had been completed on only five of the 13 spending bills in the three weeks since the original CR was passed.

David Obey (Wisc.), the ranking Democrat on the Appropriations Committee, lashed out at those in the Congress who have been holding up agreement on the bills. He said that there were "four issues remaining on four appropriations bills, which, if left to this committee, could be resolved within a week." These issues include a national education testing program supported by President Clinton, and a school vouchers program that the Republicans have inserted into the D.C. Appropriations bill, which is facing a veto threat, both of which are outside the appropriations process itself. "So it seems to me," Obey said, "that there is no reason whatsoever to continue this session or to pass this CR, except for the fact" that a few lobbyists and a few Republicans "would rather hold their breath than get the people's work done."

Creditors favored in bankruptcy reform bill

On Oct. 21, Sens. Charles Grassley (R-Iowa) and Richard Durbin (D-Ill.) introduced a bill to reform the consumer bankruptcy system. The bill follows a hearing of the Judiciary Administrative Oversight and the Courts Subcommittee, chaired by Grassley, which took testimony on the recently released report of the National Bankruptcy Review Commission.

The crisis in the consumer bankruptcy system (over 1.3 million bankruptcies were filed in 1996) flies in the face of false claims of prosperity. "While there's not much agreement about the root causes of the rise in consumer bankruptcies," Grassley said, "it's obvious that Congress needs to do something now, before the economy takes a downturn, to reverse this trend." The bill targets "casual bankruptcies" by giving the creditor more ability to get a bankruptcy case decided in its favor or dismissed outright. "Thus, there will be an army of trustees looking for debtors who shouldn't be in bankruptcy," said Grassley.

Grassley, mindful of what it takes to get a bill passed, added, "the bill doesn't make ability to repay" the only factor in determining cases. "Instead, each debtor's individual circumstances will be examined. In this way, our bill avoids the injustice which can accompany a crude formula with practically no exceptions." The bill also includes a title dedicated to protecting consumers from abusive conduct by creditors.

Durbin blamed the rising number of bankruptcies on "the proliferation of risky credit." He said, "Merely making bankruptcy abuse harder to get away with is only a small part of the equation. Another part is preventing bankruptcies in the first place by encouraging more responsibility from banks, as well as consumers."

Senate gridlocks over campaign finance reform

Senate Democrats have made good on their threat to shut down regular business in the Senate without an agreement on campaign finance reform. The largest bill caught in the logjam is the Intermodal Surface Transportation Efficiency Act reauthorization. When the bill came to the floor on Oct. 8, Majority Leader Trent Lott (R-Miss.) used a parliamentary maneuver to introduce the maximum number of amendments to the bill allowed by Senate rules, in order to prevent the Democrats from adding campaign finance reform to the bill. The result was that for the entire week after the Columbus Day recess, there was little debate and no movement on amendments.

Minority Leader Tom Daschle (D-S.D.) indicated on Oct. 20 that another bill likely to be stalled is the fast track trade legislation. He said that it wouldn't come up until the highway bill is resolved, and "even though I think the President feels very strongly about fast track, we're not in a position to allow that to move ahead, either, until we can get some kind of an understanding about how we proceed on campaign finance reform." Daschle confirmed, however, that if Lott were to agree on a date to bring up a campaign finance reform bill, say, in January or February, the Democrats "would not amend anything" and take it off the table for now.

A third cloture vote on the transportation bill failed on Oct. 28, leading Lott to say that the bill was probably dead until sometime next year, leaving states without any guidance on highway programs.

Internal Revenue Service reform gains momentum

On Oct. 22, by a vote of 33-4, the House Ways and Means Committee passed the Internal Revenue Service Restructuring and Reform Act of 1997, after the Clinton administration reversed course and endorsed the bill. The bill was an outgrowth of the work of a bipartisan task force chaired by Sen. Bob Kerrey (D-Neb.) and Rep. Rob Portman (R-Ohio).

The bill would establish an IRS oversight board, which would include a substantial number of members from private life; expand electronic filing of tax returns; establish a "Taxpayer Bill of Rights"; and expand Congressional oversight.

Pressure on the Clinton administration to endorse the bill increased after Congressional Democrats announced support for it. Minority Leader Richard Gephardt endorsed the major provisions of the bill on Oct. 21, but he called it a "partial solution." He said, "The real solution is abolishing the IRS code and starting over building a tax system that's fair and makes sense. A tax code that allows some people to make decisions based on what's in their family's best interest, not because of some tax gimmick or loophole."

On the Senate side, Minority Leader Tom Daschle (D-S.D.) endorsed the bill the day after Gephardt. "The bottom line for the IRS is that we've got to protect the taxpayer," he said. He echoed the words of Treasury Secretary Robert Rubin from the day before, that the administration, "through its restructuring of government, reinventing government, has voluntarily and unilaterally taken a lot of actions that I think deserve a great deal of praise."

House probe of Sanchez election grinds on

On Oct. 24, the House Oversight Committee voted on party lines to ask California Secretary of State Bill Jones to verify the GOP's conclusion that 303 non-citizens voted illegally in the election in California's 46th district where Loretta Sanchez (D) defeated incumbent Bob Dornan (R) by 984 votes. The committee action followed by one day a Democratic attempt to end the investigation by a vote of the full House.

The Democrats have become increasingly noisy in their bid to end the investigation, claiming, as Minority Leader Richard Gephardt (D-Mo.) did, that "there has not been evidence or proof presented by the committee or the task force [set up to investigate the election] which would indicate that Ms. Sanchez was not elected by a majority of the people voting in the 46th District" last November. Gephardt was the sponsor of a preferential resolution demanding a formal end to the investigation by Oct. 29. The resolution was defeated on a near-party-line vote of 222-204. Michael Forbes (R-N.Y.) joined with the Democrats, and James Traficant (D-Ohio) voted with the Republicans.