Congressional Closeup by Carl Osgood

Financial services reform clears House

On July 1, the House passed the financial services modernization bill by a vote of 343-86. If passed into law, it would repeal the Depression-era Glass-Steagall Act, legalizing what banks, insurance companies, and securities firms are already doing, i.e., affiliating with each other. The House passed a similar bill last year, but it died in the Senate when then-Banking Committee Chairman Al D'Amato (R-N.Y.) was unable to marshall the votes necessary to bring the bill to the floor before adjournment.

However, the overwhelming vote in favor of the bill did not reflect the turmoil surrounding the issue. Democrats, as has become more common in recent weeks, complained about the process by which the bill was brought to the floor. The rule for debate blocked amendments that Democrats argued were essential for getting the bill passed into law, especially amendments dealing with privacy rights and discrimination by insurance companies against women and minorities. The ranking member on the Rules Committee, Joe Moakley (D-Mass.), told the House that "the Republican leadership decided that it was more important to keep Democrats out of the process than to pass this banking bill," by removing key provisions from the bill authored by Democrats. "This pattern of sabotage" of bills that have bipartisan support, he said, "is becoming more the rule than the exception."

Opponents of the bill, led by John Dingell (D-Mich.), brought some reality into the debate. Dingell warned, "It looks like this Congress is setting out to create exactly the same situation which caused the 1929 crash . . . by setting up monstrous conglomerates which will expose the American taxpayers and American investors to all manner of mischief and to the most assured economic calamity." He added that because the bill will allow "megamergers" of financial institutions that can engage in almost any sort of transactions, it "creates a situation where banks and other financial institutions will be made too big to fail and that taxpayers then will be compelled to come in and bail them out."

Foreign Ops bill primes geopolitical conflict

On June 30, the Senate passed a confrontational Foreign Operations Appropriations bill. The $12.6 billion bill includes provisions that set U.S. foreign policy with respect to the Balkans and Central Asia, that follow closely British geopolitical policies.

With respect to the Balkans, the bill declares Serbia to be a terrorist state, which characterization prohibits bilateral and multilateral aid to that country. Such a declaration, which has serious implications for the economic reconstruction of the region, is in line with the policy pronouncements that have come out of both London and Washington since the end of NATO's bombing campaign.

The bill also contains a provision that conditions U.S. aid to Russia on Russia's total cooperation with NATO's peacekeeping operation in Kosovo. Mitch McConnell (R-Ky.), the chairman of the Foreign Operations Appropriations Subcommittee, said, "If stability is to be restored in Kosovo, the Russians cannot be allowed to maintain a client relationship with Serbia which may lead to de facto partition of the country."

A comparable approach was adopted with respect to Central Asia. An amendment sponsored by Sam Brownback (R-Kan.) authorizes U.S. assistance to eight Central Asian countries on the presumption that Iran, Russia, and China have hostile intent toward these countries. "What we are seeking to do," he said, "is to create an area of democracy, an area of free enterprise, and area of independence free from these world powers that seek to dominate them." The amendment was approved by a voice vote.

New budget projections send parties scrambling

New budget projections released by the Office of Management and Budget on June 28, predicting $1 trillion more than had been previously forecast in Federal budget surpluses over the next ten years, set off a mad scramble by the two parties as to how to best use this new "bonanza." President Clinton proposed using part of it to retire some of the national debt and to strengthen Social Security and Medicare, and he left open the possibility of using part of it for a tax cut.

Although Republicans were reserved until the Congressional Budget Office came out with similar numbers on July 1, the new forecast revived moribund efforts for a major new tax cut. The House GOP leadership held a rally on the Capitol steps that day, to motivate support for a plan by House Ways and Means Committee Chairman Bill Archer (R-Tex.) for $800-900 billion in tax cuts, including cutting the so-called "marriage penalty," and estate and capital gains taxes. Democrats said that the plan is irresponsible, to which Archer replied, "No Democrat has said they will vote for it, no matter what I put in it."

Republicans are not united on the

issue, however. Some moderates expressed concern that Archer's plan is going too far, too fast, while appropriators would like to see some of that money go to easing the spending caps in order to make it easier to pass the spending bills.

The most pessimistic comments came from freshman Sen. Peter Fitzgerald (R-Ill.), who, on June 30, accused President Clinton of "shifting the composition of our national debt." He said that while the President has focussed attention on the public portion of the debt, the debt held by government accounts will continue to rise, to more than $7 trillion by 2015. He added that the Republicans must share some of the blame for "misleading the American people into believing that the national debt is going down," when, in fact, it's going up.

What no one in either party is willing to face is that the "surging economy" that is the basis for such rosy projections, is a cancerous financial bubble which will, sooner or later, kill the host it is feeding off of.

Agreement opens way for appropriations bills

Senate Democrats and Republicans have reached agreement on the Patients' Bill of Rights legislation, thereby clearing the path for action on a number of appropriations bills. Democrats had made good on a threat to stall action on appropriations bills unless the GOP agreed to a "full and fair" debate on the Patients' Bill of Rights, a component of the Democrats' legislative agenda. On the day before the agreement, the Republicans failed to get cloture (cut off debate) on four appropriations bills.

Under the agreement, as announced by Majority Leader Trent Lott (R-Miss.), the bill will be brought to the floor on July 12, the day the Senate returns from the July 4 recess, with limits on debate and amendments that the Democrats found acceptable. Lott told the Senate that he was assured by Minority Leader Tom Daschle (D-S.D.) that once consideration of the bill is completed and it goes to conference committee, there would not be a need to revisit the issue again. Daschle replied that he expected the "normal legislative process" to allow sufficient debate on the bill and on amendments, i.e., a warning that the Democrats would return to their obstructionist tactics if the normal process is not followed.

Action on three appropriations bills quickly followed. The Foreign Operations bill was passed on June 30 by a vote of 97-2, and the Treasury, Postal Service bill, and the District of Columbia bill, were passed on July 1, both by voice votes.

Numerous nominations were also confirmed, including Lawrence Summers as Treasury Secretary, five judgeships, and 30 other executive-level positions. One nomination still pending, however, is Richard Holbrooke as U.S. Ambassador to the UN. Charles Grassley (R-Iowa) has placed a hold on Holbrooke's nomination, as have a number of other unnamed Senators.

Wellstone wins victory on welfare reform

Sen. Paul Wellstone (D-Minn.), fulfilling a promise made the month before, came to the floor on July 1 with an amendment intended to find out what has happened to individuals and families who have left the welfare rolls since the enactment of the Welfare Reform Bill of 1996. It passed on a voice vote as part of a group of amendments to the Treasury, Postal Service and General Government appropriations bill.

Wellstone had put forward a similar amendment in early June, attached to the fiscal year 2000 Defense Authorization bill, but it lost by one vote. The latest amendment differed from his earlier one in that, rather than requiring the Department of Health and Human Services and the states to collect new data on former welfare recipients, they could rely on data they already collect.

Wellstone argued that a declining number of welfare cases is not necessarily a measure of success. "Over and over again I have asked my colleagues if they know of any research demonstrating that the decrease in the number of families receiving assistance means that people are escaping poverty, but no one has produced such a study," he said. He told the Senate of research that shows that "poverty is a greater risk to children's overall health status than living in a single-parent family." Research also shows that children in poverty are more likely to have low birth weights, more likely to be deaf, more likely to be blind, more likely to have serious physical disabilities, and more likely to suffer stunted growth. They are also more likely to die during childhood.

Wellstone challenged those who support welfare reform. "Although 50 Senators voted against" his earlier amendment, he said, "not a single Senator rose to debate the merits of the measure. . . . Sometimes we choose not to know what we do not want to know. In the case of welfare reform, we must have the courage to find out."