

Congressional Closeup by Carl Osgood

Defense Budget Request Faces Close Scrutiny

While nobody on Capitol Hill is talking about cutting the Bush Administration's \$379 billion request for the Department of Defense, the request will be examined closely. The \$10 billion war contingency fund that the administration is seeking has come under fire from both sides.

House Defense Appropriations Subcommittee Chairman Jerry Lewis (R-Calif.) on Feb. 8 called it a "soft spot." He warned that without any details as to how it might be used, "there'll be those . . . who will begin to suggest we ought to whittle away at that total amount." Lewis was echoing a concern expressed by Ike Skelton (D-Mo.) during a House Armed Services Committee hearing on Feb. 6. Skelton urged Secretary of Defense Donald Rumsfeld to "present Congress with a well-thought-out proposal" on how it intends to use that money.

Senate Armed Services Committee Chairman Carl Levin (D-Mich.), during a hearing on Feb. 5, said that Congress has generally not appropriated funds in advance for unspecified military activities. He asked Rumsfeld if the contingency fund could be used for military operations against Iran, Iraq, or North Korea, the three countries President George Bush described as "the axis of evil." Rumsfeld indicated that if operations continue through 2003 at the current tempo, \$10 billion will last only a few months. Second, he said, "My understanding is that the funds would be used for the war on terrorism that the President has announced. . . . I don't think there's anything in the budget that contemplates anything of the size you're talking about."

Other members are concerned that the defense budget doesn't go far enough. During the House hearing,

Skelton noted that the request for military construction declines by \$1.7 billion, and the budget only funds five ships for the Navy, as opposed to the eight or nine most agree are required to prevent a decline in the number of ships in the fleet. Duncan Hunter (R-Calif.) added that the services need to be buying about 450 aircraft a year to maintain a modern fleet, but are only buying about 100. He also noted shortfalls in munitions and in operations that add up to about \$10 billion per year, each.

Economic Stimulus Bill Resurrected in House

The Senate failed to agree on a so-called economic stimulus bill—but that has not deterred the House GOP leadership in their quest for more tax cuts. On Feb. 6, Senate Majority Leader Tom Daschle (D-S.D.) pulled the bill from the floor after both parties failed to get 60 votes for their version of the bill. The Senate then agreed to a simple 13-week extension of unemployment benefits and sent the bill back to the House.

House Ways and Means Committee Chairman Bill Thomas (R-Calif.) on Feb. 14 brought a motion to the floor, to replace the Senate language with a bill that, while including extended unemployment benefits and aid to New York City, was loaded with corporate tax breaks. "What we have in front of us is an economic security and worker assistance act," he said. He claimed that the bill provides a program that generates jobs, and thereby generates additional revenue. Among other provisions in the bill are a reform of the corporate alternative minimum tax, acceleration of the income tax reductions passed in 2001, and refunds for individuals who were ineligible to

receive them in 2001.

Rep. Bob Matsui (D-Calif.) said that the tax provisions are "really corporate handouts" that resulted from "a commitment made to the U.S. Chamber of Commerce last year" when the House "decided not to put corporate tax breaks on their individual tax cut bill." He said that the \$175 billion in tax breaks will be paid for from the Social Security and Medicare trust funds. The Thomas motion passed by a vote of 225-199.

The Senate then sent a strong message that the House bill will not pass the Senate. That message took the form of a unanimous consent request to re-pass the same unemployment benefits extension they had passed a week earlier. Majority Leader Daschle accused the House of delaying aid to the unemployed.

House Passes Campaign Finance Reform

On Feb. 14, the House passed the Shays-Meehan campaign finance reform bill, after it survived about a dozen GOP attempts to kill it. It now goes back to the Senate, where opponents have vowed to try, once again, to stop it. The debate lasted about 16 hours, and featured three substitutes and ten amendments to the underlying bill. According to its supporters, the bill will ban soft money contributions to the national parties, and prohibit soft money from being used for so-called issue ads in the 60 days prior to an election. Rep. Steny Hoyer (D-Md.) called it a "modest but crucial investment in our participatory democracy." The bill would not take effect until after the November 2002 election.

Republicans said that what was being debated was not the original

Shays-Meehan bill that had been voted up in previous Congresses. Instead, the bill's sponsors, Reps. Chris Shays (R-Conn.) and Marty Meehan (D-Mass.), offered a substitute designed to accommodate the Senate. The GOP complained that it was written in the dead of night, but it nonetheless passed by a vote of 240-191. The two GOP substitutes—one offered by Majority Leader Dick Armey (R-Tex.) and the other by Administration Committee Chairman Bob Ney (R-Ohio)—were rejected by votes of 249-179 and 377-53, respectively.

Now that the bill has passed the House, Senate Majority Leader Tom Daschle's (D-S.D.) strategy is to bring it straight to the Senate floor, in hopes of avoiding a conference committee. Though the differences between the House and Senate versions are considered minor, the GOP hopes to be able to kill it in conference. To avoid a conference, Daschle will have to round up 60 votes to stop a threatened filibuster by Mitch McConnell (R-Ky.). An added uncertainty, is that President George Bush has not indicated whether he will veto the bill if it reaches his desk.

Senate Farm Bill Retains Free Trade Delusions

On Feb. 13, the Senate passed, by a vote of 58 to 40, a new five-year farm bill, to replace 1996's mis-named Freedom to Farm bill, which expires on Sept. 30. The bill retains the free-trade premises, but avoids the worst free-market excesses of the 1996 law. Both the Senate bill, and the earlier-passed House version, retain forms of Federal farm support, with differences on timing and size. The Senate version expands supports to new commodities, including milk and fruits.

One diversionary issue that has captured a lot of attention, is the fact that some large farm operations received huge Federal subsidies under the 1996 law. The new Senate bill places caps on what an individual can receive. The debate ignored the fact, however, that if a parity pricing policy were in effect, and the economy functioning properly, there would be no "fat-cat" farmers. The subsidy has the effect of being a "pass through" to the food cartel, enabling it to continue to pay farmers below the cost of production.

The bill includes provisions to encourage the use of "alternative bio-energy," a pet project of Senate Agriculture Committee Chairman Tom Harkin (R-Iowa). Harkin backs the use of ethanol in coal-fired boilers, and switchgrass, soy bio-grease, and on-farm methane capture. All of this is supposed to help boost farm income. Meanwhile, crop prices have hit 30-year lows, adding to the hardships farmers are already facing as a result of the fuel price shocks of 2000-01.

The White House says that the bill will encourage overproduction of certain crops. The bill authorizes \$45 billion in new spending through 2007, a 26% increase, which the Bush Administration says is too much, too soon. The House bill is set at \$38 billion.

Baucus Says Administration Must Build Trust on Trade

Senate Finance Committee Chairman Max Baucus, in a speech to the Democratic Leadership Council on Feb. 12, said that the most important measure the Bush Administration can take, to build public support for new free-trade agreements, is to "build a record of trust" by supporting an expanded trade adjustment assistance program

(TAA). TAA is a program for workers who lose their jobs as a result of foreign trade, and expanding the program is part of the trade promotion legislation that passed the Senate Finance Committee on Dec. 12, 2001 by a vote of 18-3. Republicans object to the \$8.6 billion cost of the program and may try to amend it when the bill hits the Senate floor. Baucus said, however, that while expansion of trade creates benefits, "trade also has some negatives and forces painful choices."

The bill also covers fast track negotiating authority, an Andean trade package, and language on the generalized system of preferences. "I believe these issues move forward together or they don't move at all," Baucus said.

Also included is language relating to labor and environmental standards. Baucus said that the language in the bill is modelled on the Jordan free-trade agreement, approved without controversy last year by both houses. In it, "both countries agree to work together toward better labor and environmental standards," and "to promote respect for worker rights and the rights of children." Rather than using the threat of sanctions to try to force changes, the bill "creates positive incentives for countries to raise their standards." Baucus indicated that Senate Majority Leader Tom Daschle (D-S.D.) plans to bring the bill to the floor in early March.

Baucus ignored the realities of the global economic collapse, however. These realities include the growing role of outsourcing as a factor in world trade, as well as what *EIR* founder Lyndon LaRouche has described as "the demise of the importer of last resort." That is, the growing inability of the United States to absorb the imports of less developed countries, so that they can generate the dollars demanded by international creditors.