

1 EXECUTIVE COMMITTEE MEETING

2 FRIDAY, JULY 10, 1987

3 U.S. Senate

4 Committee on Finance

5 Washington, D.C.

ORIGINAL

6 The meeting was convened, pursuant to notice, at 9:40
7 a.m. in Room SD-215, Dirksen Senate Office Building, the
8 Honorable Lloyd Bentsen (chairman) presiding.

9 Present: Senators Bentsen, Moynihan, Baucus, Bradley,
10 Riegle, Rockefeller, Packwood, Roth, Danforth, Wallop, and
11 Durenberger.

12 Also present: Bill Wilkins, Staff Director and Chief
13 Counsel; Mary McAuliffe, Staff Director, Minority; Frank
14 Cantrel, Tax Counsel, Minority; John Colvin, Chief Counsel,
15 Minority; and Joe Humphreys, Professional Staff Member.

16 Also present: Charles O. Sethness, Assistant Secretary
17 for Domestic Finance, Department of the Treasury.

18 The press release announcing the hearing follows:)

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1 The Chairman. This meeting will come to order.

2 We don't have a quorum here yet, but we will get it
3 underway because of the constraints of time and what is
4 going to be taking place on the floor. And I assume we will
5 have a quorum before we finish because there wouldn't be much
6 use trying to report this out without that. It would be
7 subject to a point of order.

8 The committee on Finance today is going to take up the
9 House Joint Resolution that would increase the public debt
10 limit to a new permanent level of \$2.5651 trillion. Now that
11 is the amount that is recommended in the Budget Resolution
12 as the appropriate level for the debt through September 30th
13 of 1988. It represents an increase of \$245 billion over the
14 current level.

15 One week from today, on July the 17th, the temporary debt
16 limit will expire. Now what that means is that the real
17 limit will drop substantially below what the actual
18 indebtedness of the country is. That also means that the
19 government has to stop issuing debt instruments, securities,
20 savings bond sales will stop. So it is obviously important
21 that we attend to this very crucial issue because the
22 government's ability to function would finally cease when the
23 cash ran out. And the Treasury tells us that would happen
24 sometime before the end of the month.

25 What we have to also realize is that there is a further

1 urgency because we know that as soon as this resolution hits
2 the floor it is going to become enmeshed in some proposed
3 changes to the budget process, will become involved in the
4 Gramm-Rudman fix. So it is obvious that we need to get on
5 with this and avoid any unnecessary delay.

6 In order to get the Senate, to have it before them at
7 the earliest possible opportunity, what I am asking us to do
8 here is to take the House Resolution and extend the debt
9 limit as they have suggested through September the 30th of
10 1988. And I do that with the full knowledge that when we get
11 to the floor that you are going to have an amendment that it
12 be done on a shorter period of time. And I would say then
13 that each member obviously has a full prerogative to vote
14 for against whatever that shorter term might be proposed and
15 offered. But I believe offering it without amendments is the
16 most expeditious way to get it to the Senate floor.

17 So what I am asking this morning is that I urge that we
18 give it consideration. We have a letter from the Secretary
19 of the Treasury that has been distributed to the membership
20 requesting this, and I would open it up to any comments. And
21 I yield to the distinguished ranking member of the Minority,
22 Senator Packwood.

23 Senator Packwood. Mr. Chairman, I agree with sending this
24 out. Obviously from a Republican's standpoint, our views
25 about a short-term or a long-term debt will heavily depend

1 upon what happens on Gramm-Rudman-Hollings. But as I told
2 the Chairman, I expect that if Gramm-Rudman-Hollings is
3 attached to the long- or the short-term debt ceiling, and
4 passes through conference and goes to the President and is
5 signed, so that we have an enforceable hammer--sequester of
6 some kind--that it will cast a whole new light on
7 Republican cooperation in the entire budget process,
8 including spending and taxes.

9 But I think without the hammer, that the participation
10 probably of the Republicans would be modest at best, perhaps
11 nil at worst. But at the moment I would support sending this
12 out. And the Chairman is very correct, that we are obviously
13 going to have negotiations, and, hopefully, a harmonious
14 conclusion to Gramm-Rudman-Hollings on the floor. But if
15 not, certainly an acrimoneous one.

16 The Chairman. Yes, I agree. It would be one or the
17 other. And I also agree that from my own personal viewpoint
18 I think that we have to put a fix in there and probably some
19 adjustment in the glide path, but those are things to be
20 debated on the floor. If we try to do them in this committee,
21 it is not within our jurisdiction and would obviously be
22 subject of point of order on the floor. And so we really
23 should not try to get into that one until it gets on the
24 Senate floor.

25 I yield to the distinguished Senator from New York.

1 Senator Moynihan. Mr. Chairman, First, a question. To
2 what committee is Gramm-Rudman-Hollings germane? I mean, it
3 had never been in a committee, I don't think. It is always
4 written on the floor; it is newly in hand.

5 Mr. Wilkins. Mr. Chairman, I believe the Budget Act
6 falls within the jurisdiction jointly of Governmental
7 Affairs and Budget.

8 Senator Moynihan. I simply make the point that, to my
9 knowledge, the matter has never been before a committee. It
10 is always written in hand on the floor and distributed
11 paragraph by paragraph.

12 Mr. Wilkins. I believe the Senator is correct.

13 Senator Moynihan. Yes, I think I am correct that that is
14 really notable legislation.

15 Could I ask Mr. Wilkins, Mr. Chairman, just as a matter
16 of prudence here?

17 The Chairman. Yes, of course.

18 Senator Moynihan. Several times in recent years we have
19 found as we went up against the debt ceiling the Secretary of
20 the Treasury was forced to, in effect, redeem Social Security
21 Trust funds for the general purpose of -- for purposes of the
22 General Fund. And the great failing in those matters was
23 that this committee was not informed, nor was the Committee
24 on Ways and Means, nor were the Trustees.

25 Have we some understanding at the Treasury that this will

1 not happen again? Or if it should come to a crisis that it
2 will only happen in consultation with this committee?

3 Mr. Wilkins. Let me ask Mr. Sethness, who is here from
4 the Treasury Department, if he could respond.

5 Senator Moynihan. Good morning, sir.

6 Mr. Sethness. Good morning.

7 Senator, the letter that the Secretary of the Treasury
8 sent up yesterday says that this is a different sort of
9 situation than the one in the past, where there has been
10 any non-investment or disinvestment of Social Security funds,
11 because if we get to the point without Congressional action,
12 where Social Security payments are due, we will have
13 defaulted on all United States Government obligations. We
14 are not going to be worrying about investing trust funds.
15 We simply will not be able to pay.

16 Senator Moynihan. That is right. But prior to that
17 point, you go through a process of non-investment or you have
18 done.

19 Mr. Sethness. That has happened in the past.

20 Senator Moynihan. Yes, sir, it has happened.

21 Mr. Sethness. No. I mean, both of us are aware at some
22 length of that process.

23 Those actions were taken in situations where we had a
24 non-increase of a permanent ceiling. This is a collapse of
25 a temporary ceiling of \$195 billion. There isn't any amount

1 of non-investment that would cover it.

2 Senator Moynihan. Right.

3 I am clear on that. And let me say that we very much
4 welcome your presence here because you have been clear and
5 open with us. And yet in the torturous movements we will be
6 taking in the next two or three months, can we expect you
7 always to let this committee know if this issue ever blooms
8 on the horizon?

9 Mr. Sethness. Oh, yes, sir.

10 Senator Moynihan. I thank you very much.

11 Thank you, Mr. Chairman. Mr. Chairman, I think you are
12 doing the right thing and I completely support you.

13 The Chairman. Are there other comments by the members?

14 Yes. Senator Wallop.

15 Senator Wallop. Just an observation: one of those
16 peculiar things that Congress continues to do. But I am
17 amused by the title of this as a new permanent debt ceiling.

18 Senator Danforth. Mr. Chairman?

19 The Chairman. Yes, Senator Danforth.

20 Senator Danforth. After we act on this, I wonder if I
21 could be recognized for about one minute, maybe two minutes,
22 on an unrelated subject?

23 The Chairman. Yes, of course.

24 Let me ask for purpose of information of the chair, how
25 many anticipate going to Philadelphia on Thursday? I am

1 trying to see what we are going to have here. We have a
2 hearing scheduled on taxes on Wednesday, Thursday and Friday,
3 in Philadelphia.

4 (A showing of hands)

5 The Chairman. All right.

6 Well the hearings will go on. The Chairman will not be
7 going to Philadelphia. If it involved the Alamo, I might have
8 to go.

9 (Laughter)

10 Mr. Wilkins. Mr. Chairman, I believe if we get one more
11 Senator we will have a quorum.

12 The Chairman. That is what I have been looking for.

13 Mr. Wilkins. I think Senator Riegle may be in the back
14 room.

15 The Chairman. All right.

16 I told the learned staff to see if they can't get them
17 here.

18 Mr. Wilkins. Fine. I believe we have a quorum at this
19 point.

20 The Chairman. And I would urge the Senators who are here
21 to remain.

22 Senator Packwood. Mr. Chairman?

23 The Chairman. Yes.

24 Senator Packwood. I move that we send out H.J. Res. 324.

25 Senator Moynihan. I second that motion.

1 The Chairman. Is there further discussion?

2 (No response)

3 The Chairman. If not, all in favor of the motion, as
4 stated, make it known by saying aye.

5 (Chorus of "ayes")

6 The Chairman. Opposed?

7 (No response)

8 The Chairman. The motion is carried. It is the most
9 expensive vote you have made. Thank you.

10 Senator Danforth. Mr. Chairman, before we recess, could
11 I bring something up?

12 The Chairman. Yes. Senator Danforth.

13 Senator Danforth. Mr. Chairman, with respect to the
14 trade bill, as I think most members know, at about 10:30 this
15 morning--I think about 10:30 this morning--an amendment is
16 going to be offered by Senators Byrd and Dole, a so-called
17 leadership amendment, relating to what we have called by
18 various names, one, the adversarial trade provision, the
19 super-301 provision, of the trade bill.

20 This amendment, among other Senators, I believe will be
21 supported by you, Mr. Chairman. I know it will be supported
22 by Senator Riegle. It will be supported by me. It is a very
23 significant amendment. We have made a tremendous effort to
24 form a middle-ground concensus policy, which is very, very
25 significantly different from the approach in the House bill.

1 My hope would be that we could have as broad a support --

2 (Chatter from the audience)

3 Senator Danforth. Could I have a little order in the
4 room, Mr. Chairman?

5 The Chairman. Let us have quiet. Senator Danforth is
6 speaking on an important subject and he deserves to be heard.

7 Senator Danforth. My hope would be that we would have as
8 broad a support as possible within the Finance Committee and
9 within the Senate itself. It is not new subject matter.

10 We think we have done a good job of sanding off the
11 rough edges and formulating a very responsible concensus
12 type position.

13 I have a little 1-page summary which I am going to pass
14 out now. My staff is available. Mark Bisnow, of Senator
15 Dole's staff is available. Senator Riegle's staff is
16 available. Jeff Lang, I am sure--if you can find him now; he
17 is busy on other things on the floor--is available to explain
18 this in detail. It is also not a very long amendment. It
19 is about eight typewritten pages, so it doesn't take a long
20 time to digest. And my hope would be that as many members as
21 possible could cosponsor this when it is offered in about an
22 hour.

23 The Chairman. Senator Danforth, let me congratulate you,
24 and Senator Riegle, and certainly Senator Dole and Senator
25 Byrd on the work that they have done in trying to arrive at a

1 concensus on what is a very important point as far as
2 adversarial trade. The Chair will be happy to be a cosponsor
3 of it.

4 Senator Danforth. Thank you, Mr. Chairman.

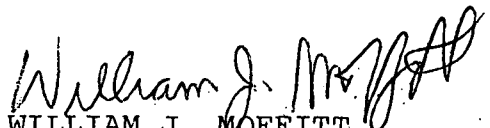
5 Senator Riegle. Mr. Chairman, might I just say one
6 additional thought, and that is the effort that has been
7 going on now for some period of weeks and very intensively
8 the last several days, I think is fully within the spirit that
9 you laid down at the beginning of the development of the
10 trade bill, and that was to try to find a way to make this
11 something that would open up and make fair the trading
12 system. And that we try to do that, not on a partisan basis
13 but on the basis of working together. And I think the fact
14 that we have been able to appoint where the two leaders are
15 prepared and will be offering this amendment with those of us
16 that have participated in it indicates that we have kept
17 within that philosophy and within those boundaries as you laid
18 them down in the beginning.

19 And so I think what we have here, both in spirit and in
20 detail, is precisely what the committee set out to
21 accomplish in the beginning. And so I think we have the right
22 to feel some sense that we are consistent with the overall
23 philosophy and thrust of what we are trying to do here.

24 The Chairman. If there are no further comments, the
25 committee will stand adjourned.

C E R T I F I C A T E

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2 This is to certify that the foregoing proceedings of an
3 Executive Committee Meeting of the Committee on Finance,
4 held on July 10, 1987, were transcribed as herein appears and
5 that this is the original transcript thereof.

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9 WILLIAM J. MOFFITT
10 Official Court Reporter

11 My Commission expires April 14, 1989.
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