

1 EXECUTIVE COMMITTEE MEETING

2 FRIDAY, JULY 29, 1994

3 U.S. Senate,

4 Committee on Finance,

5 Washington, DC.

6 The meeting was convened, pursuant to notice, at

7 11:45 a.m., in Room SD-215, Dirksen Senate Office

8 Building, Hon. Daniel Patrick Moynihan, Chairman of the

9 Committee, presiding.

10 Also present: Senators Baucus, Boren, Bradley,
11 Pryor, Rockefeller, Daschle, Breaux, Conrad, Packwood,
12 Dole, Danforth, Chafee, and Grassley

13 Also present: Lawrence O'Donnell, Jr., Staff
14 Director; Lindy Paull, Chief of Staff, Minority.

15 Also present: Lloyd Bentsen, Secretary of the
16 Treasury.

17 Also present: Leslie Samuels, Assistant Secretary
18 for Tax Policy, Treasury Department.

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1 The Chairman. A very good morning to our
2 distinguished Secretary to the Treasury and to our other
3 guests. I would like to ask that we do have order in the
4 room. I know we are filling up and that takes a little
5 bit of time.

6 Yesterday in the course of discussing the spending
7 cuts and tax revenue measures that will be required to pay
8 for the Uruguay Round, the administration's proposal on
9 reducing interest payments on tax refunds was questioned
10 vigorously and appropriately.

11 In the aftermath of that, the Secretary thought he
12 would revise the proposal. He has done so and he has done
13 us the great courtesy of being with us all morning in
14 various respects.

15 Good morning, Mr. Leader.

16 I wonder, Secretary Bentsen, if you would have the
17 kindness to just describe this one change we made. Then
18 we having taken your entire morning when you expected to
19 be with us for 10 minutes, we would be happy to let you go
20 in peace.

21 Secretary Bentsen. Thank you very much, Mr.
22 Chairman. I am glad to be here.

23 Yesterday the concern as I understood it, when we are
24 talking about the refund, overpayments on income tax
25 returns, we were talking about using the three-year

1 Treasury's rate, which today, for example, would be about
2 5.5 percent. And under the present law an additional 2
3 percent is added.

4 We were going to reduce that addition to half of one
5 percent, which in effect would mean that the recipients
6 would get approximately 6 percent return on short-term
7 money where they had had an overpayment.

8 Now, if they were to try to invest that money short
9 term in money markets, they would get substantially less
10 in that regard. But there was concern about the structure
11 of that. So we have gone back and we have now excluded
12 all individual returns, all individual income tax returns
13 are all excluded. They will stay under the old law and
14 the old interest rates.

15 We then turned around on corporations and we did a
16 carve out on corporations so it would only apply to those
17 corporations that have a refund in excess of \$10,000.
18 Now, if you look at all of them that are getting refunds,
19 where they have an interest provision in them, you are
20 only talking about seven-tenths of one percent of the
21 corporations that this will apply to.

22 Now, if you included in addition those corporations
23 that are getting the return without the interest point
24 because they have been paid off in less than 45 days,
25 obviously it is even less than seven-tenths of one

1 percent.

2 Now with that it reduces what we are receiving in the
3 way of funds to pay for GATT to about \$750 million. We
4 have done a number of odds and ends to take care of that
5 one. For example, we have extended 420 and we have done
6 some slight expansion on that to pick up additional funds.

7 Insofar as the acceleration of the payment on excise
8 taxes, we have added three days to that. Overall, we have
9 filled in with that type.

10 The Chairman. Mr. Secretary, I think that has been
11 very forthcoming of you. I think that I can speak for our
12 side in that sense that this resolves the problem.

13 I would like to ask Senator Packwood how he feels.

14 Senator Packwood. I indicated to the Secretary I was
15 going to support him yesterday. I will support him today.
16 It is a roll of the dice. We are short on scoring. We
17 are going to have to get over a 41 vote hurdle on five-
18 year financing. We had enough of a problem on 10-year.
19 But if we financed it 5 years on CBO score card I think we
20 could get 60 votes on the second 5 years. It is not here.
21 It is not going to be here and the point of order is going
22 to come.

23 The Secretary and I agreed earlier when we met in the
24 back office, we got 33 to 35 votes against this no matter
25 what. It does not matter if it is paid for; it does not

1 matter if it is not paid for. It does not matter whether
2 we put in all kinds of foolish things or do not put all
3 kinds of foolish things in, we are going to lose 30 to 35
4 to 37 votes on this, period.

5 Second, and the Secretary was very frank, he cannot
6 guarantee what the Commerce Committee is going to do on
7 pioneer licenses. He cannot guarantee what the
8 Agriculture Committee is going to do on the export
9 enhancement program, although Secretary Yerxa indicates
10 the administration has the power to make those cuts now if
11 the Agriculture Committee does not spend the money. And
12 if they spend it, they do not have it.

13 And we have a letter from the Energy Committee today
14 they do not think they can deliver the Mariana's money.
15 So all we can do in this committee is what we can deliver
16 and the pay go is somewhat short and if those other
17 committees do not come up with money it is going to be
18 further short. But at this stage it is not going to make
19 any difference because it is subject to a point of order
20 because of the pay go.

21 So if we are short \$3 billion short instead of \$2
22 billion or \$4 billion instead of \$3 billion we are still
23 subject to a point of order. With that, Mr. Secretary, I
24 support you wholeheartedly.

25 (Laughter.)

1 The Chairman. I think that is -- you know, candor
2 deserves credit. We know that is your view. We are going
3 to hope it does not turn out that way. But we are going
4 to find out, are we not?

5 Secretary Bentsen. Mr. Chairman, if I might?

6 The Chairman. Yes, sir.

7 Secretary Bentsen. Let me say as far as the
8 utilization of the pay go under a Republican
9 administration as late as 1992, I supported the provision
10 as did practically everybody on this committee, I think,
11 that we use the pay go provision and the administration at
12 that time supported that.

13 I would hope that we would see the same kind of
14 treatment this time.

15 Senator Packwood. I might say on three of those it
16 was a unanimous vote and money involving millions, in some
17 cases less than \$100,000 million in each case, and there
18 was nobody raising the objection.

19 On one of them it was on unemployment compensation in
20 an emergency. Nobody raised an objection. And it passed
21 88 to 9 or something anyway. I am not defending the fact
22 that pay go should or should not be used. They have been
23 used before. They have never been used to this amount.
24 And they have never -- this is my problem. They have
25 never been used on a controversial piece of legislation

1 where somebody can use it as the justification for the
2 point of order.

3 Secretary Bentsen. I understand that, Senator
4 Packwood.

5 The Chairman. That is a very fair point.

6 Secretary Bentsen. I must say that I think that
7 principal is principal and that we ought to have equal
8 action in that sort of a situation. I do understand and
9 accept in any vote such as that there is an element of
10 risk.

11 I think that GATT is critical. I get calls from the
12 Chancellor of Exchequer from the Finance Minister of
13 France of Germany saying is it possible that you are not
14 going to ratify GATT. I think it is essential we do it.
15 We are the biggest trading nation in the world. We have
16 been the leader in the negotiations for seven years. I
17 think it is just unacceptable that we would not bring it
18 to pass.

19 I think it is critical. I think it is important.
20 This country I believe today for American business where
21 they move from debt to equity and to lower the interest
22 rates on debts they now hold in general and they have
23 increased productivity, I believe American business is
24 more competitive than it has been in a long time. I think
25 that we are ready to take on these competitors in

1 international trade and I think it is critical in that
2 regard that we be a part of GATT.

3 Senator Dole. Mr. Chairman?

4 The Chairman. Senator Dole?

5 Senator Dole. I just want to quote from a letter
6 Senator Domenici has written. I am not sure it has
7 arrived to the Chairman, but it came back to -- it says,
8 ``More importantly the suggest that the previous
9 administration used the pay go surplus to 'cover the
10 costs' of various legislation is very misleading. A pay
11 go surplus calculated by the administration was available
12 to avoid a possible sequester. But in no way did the
13 previous administration suggest surplus was available to
14 cover the costs of legislation.'' So there is a
15 significant difference and I think the record ought to
16 reflect that.

17 The Chairman. I think that should. Even though I
18 can see that says draft, should we put that in the record
19 as is?

20 Senator Dole. It is a draft, but it is an accurate
21 draft.

22 The Chairman. It is an accurate draft.

23 Senator Dole. He does not want to send it yet.

24 The Chairman. Does not want to send it.

25 Senator Dole. But you have already seen it.

1 The Chairman. All right.

2 Senator Chafee. Mr. Chairman?

3 The Chairman. Senator Chafee?

4 Senator Chafee. I do not think the Secretary has
5 addressed this. But you give a very eloquent statement in
6 connection with the competitiveness of the U.S. and the
7 importance of this agreement and the affect it has on our
8 trading partners. Could you just perhaps address for a
9 few minutes the urgency of doing it now?

10 There are some people swirling around saying, oh,
11 well, it would be just as effective if we did it next
12 year, next calendar year.

13 Secretary Bentsen. Senator Chafee, I think that we
14 are an example to the rest of the world. I believe that
15 there are some reluctant supports of GATT in many of these
16 other countries that would be delighted to have an excuse
17 not to do it. They would much prefer the protectionism of
18 the past to be continued into the future. I think it
19 would be a very bad example to those.

20 I am looking at what is happening throughout Latin
21 America, what is happening in APEC, the change to market
22 economies. Those countries are growing at least -- the
23 APEC countries at least twice as fast as the rest of the
24 world. I think there are enormous opportunities there for
25 trade and we must be a part of that.

1 I look at Latin America and what is happening there
2 in the way of growth and go down to Argentina. Who would
3 have ever thought Padanesta would be opening up markets,
4 lowering tariffs, privatizing. But they are doing it. So
5 I think those are places that we must be in there
6 competing and that means ratification of GATT.

7 Senator Chafee. Thank you.

8 The Chairman. Thank you, Senator Chafee.

9 Mr. Secretary, we have kept you the whole morning and
10 we are going to now proceed to vote on the proposal the
11 Joint Tax Committee has submitted. We thank you very
12 much, sir.

13 Secretary Bentsen. Thank you very much.

14 The Chairman. We do appreciate this.

15 Senator Pryor. Mr. Chairman?

16 The Chairman. Senator Pryor?

17 Senator Pryor. May I say a word of thanks to the
18 Secretary?

19 The Chairman. Would you do, please?

20 Senator Pryor. Because they have worked all through
21 the night I understand in coming up with the new proposal,
22 a modified proposal, relative to the interest rate which I
23 did address yesterday in modified tones, I might say.

24 But I understand that this new proposal that we are
25 now accepting or hopefully will accept is going to carve

1 out individuals, sole proprietorships, all partnerships,
2 all sub-S corporations, 99.3 percent of all C corps and
3 also the individual there is going to get some relief --
4 Mr. Portello, my house painter friend that I talked about.

5 So I want to thank the Secretary for being sensitive
6 to this.

7 I want to thank you also, Secretary Samuels, for
8 participating in this modification.

9 Secretary Bentsen. Thank you.

10 The Chairman. Thank you, Senator Pryor.

11 Senator Bradley?

12 Senator Bradley. Mr. Chairman, I would like to thank
13 the Secretary as well for the cooperation that he and Mr.
14 Samuels have given. I would assume that he believes that
15 this financing package is absolutely central to
16 ratification of GATT.

17 Secretary Bentsen. I certainly do.

18 Senator Bradley. I wondered if he would share with
19 the committee what he thought. If this financing package
20 were not passed, what would happen?

21 Secretary Bentsen. Well, you will not get
22 ratification of GATT in that kind of a situation. I think
23 what you see for the United States -- I could just imagine
24 if we did not ratify GATT and our principle trading
25 partners did. And then you had a situation where we were

1 trying to individually lower tariffs and not have this
2 blanket agreement, the endless controversy from so many
3 interest groups that would be taking place.

4 I would see then with lower tariffs amongst the other
5 trading partners they are trading more with each other
6 rather than us. I would see our business people at a
7 disadvantage in the process and certainly our consumers at
8 a disadvantage.

9 Senator Bradley. And if the financing package is not
10 accepted, then essentially we cannot ratify GATT.

11 Secretary Bentsen. Down the tube.

12 The Chairman. Down the tube.

13 Senator Bradley. Down the tube.

14 Senator Dole. Could I ask one question, Mr.
15 Chairman?

16 The Chairman. Yes.

17 Senator Dole. How many countries have ratified GATT?

18 Secretary Bentsen. A lot of them are waiting for us,
19 Senator.

20 Senator Dole. So none?

21 Secretary Bentsen. Very -- some have, but it is very
22 few. The process is underway. It is beginning to go, but
23 some are holding back for us.

24 Senator Dole. Thank you.

25 The Chairman. Thank you, Senator Dole.

1 Just a last question, I believe. Senator Conrad
2 wanted to ask a question.

3 Senator Conrad. Well, Mr. Chairman, first of all I
4 do want to thank the Secretary very much for the
5 adjustments on the interest provisions because I think
6 those are very useful and the American people will see
7 those as fair.

8 Mr. Chairman, there are those of us who represent
9 agricultural States that are deeply troubled by a part of
10 this financing package. Before we cast our votes, I think
11 it is terribly important that we have a full understanding
12 of what our vote will mean.

13 Let me just say that agriculture in the last two
14 budget deals has taken by far the biggest proportional
15 reductions, by far. And we are ready to do our share, but
16 we are not ready to do more than our share. And as we see
17 it, the \$700 million of the \$1.7 billion is fair. But the
18 additional \$1 billion of EEP reductions we do not see as
19 fair, especially in light of what our competitors are
20 doing, moving that money into green box programs which are
21 not environmental programs. The green stands for goal.
22 These are things you can do. There are market promotion
23 programs. There are other programs to move agricultural
24 commodities.

25 Mr. Chairman, I think it is just terribly important

1 that those of us who have a great concern about this
2 understand fully what our vote here means today, because I
3 can tell you there are a number of us round this table who
4 very reluctantly would be voting no. At least I speak for
5 myself.

6 I want GATT to pass. I think it is critical for the
7 world economy.

8 The Chairman. Fine. Senator, may I just say we have
9 a limited time. There will be a conference, as you know.
10 I would like to make a point here that Senator Riegle who
11 will vote for this measure would like it to be stated for
12 the record that he opposes the pension provision in the
13 funding packages and urges that the conference drop the
14 provision and he will have a chance.

15 Secretary Bentsen. Mr. Chairman, if I may now?

16 The Chairman. Yes. Mr. Secretary, it has been
17 unconscionable. We have kept you all morning. We thank
18 you very much, sir.

19 Senator Daschle, do you have a comment?

20 Senator Daschle. Mr. Chairman, just on that point,
21 on the point raised by Senator Conrad. It is my
22 understanding that when we vote today we are voting on the
23 finance portion of the GATT agreement.

24 The Chairman. Just the finance. That is the only
25 thing we can do. Yes.

1 Senator Daschle. So the issue of EEP is really an
2 issue to be resolved in another committee.

3 The Chairman. In another committee.

4 Senator Daschle. So if we support the financing
5 portion related to the Finance Committee, we have the
6 ability to support it if we have no other concerns with
7 the specifics of this particular --

8 The Chairman. That is right. You are only voting
9 for what is within the jurisdiction of this committee.

10 Senator Baucus. Mr. Chairman?

11 The Chairman. Senator Baucus?

12 Senator Baucus. Thank you, Mr. Chairman. Mr.
13 Chairman, this is a difficult vote for many of us. I do
14 not think there are very many members of this committee --
15 I certainly am not one -- who do not think that
16 ratification of GATT is a good idea. I think it is
17 incumbent upon us to go the extra mile to liberalize
18 trade.

19 I voted for every fast track bill that has come up
20 before the Congress. I voted for NAFTA. I must tell you,
21 very unpopular in my home State. I voted for the Canadian
22 Free Trade Agreement -- very unpopular in my State. Why?
23 Because I thought it was the right thing to do. I think
24 it is also important that we try to find a way to find the
25 financing mechanism that enables us to ratify this GATT

1 round.

2 Now, let us remember, no other country is doing what
3 we are doing. No other country has a pay go requirement
4 as we do. You know, as we lower our tariffs under our pay
5 go requirements under the Budget Act, we are trying to
6 find ways to compensate, offset those tariff reductions.
7 No other country is.

8 Now, I think that is probably a good idea that we are
9 doing that because it forces us to address budget
10 deficits. We must remember that other countries are not.

11 With respect to the EEP provision, I must say I agree
12 with the Senator from North Dakota. Agriculture has taken
13 more cut than any other domestic or foreign program in the
14 Congress. In 1987 the total agriculture spending,
15 government spending, was about \$26 billion. Today it is
16 about \$10 billion.

17 No other program has taken such a cut, foreign or
18 domestic, as agriculture. In addition, Mr. Chairman, we
19 in America spend about one-tenth what the Europeans do in
20 terms of agriculture price supports. One-tenth. We
21 Americans spend one-tenth.

22 I must say, Mr. Chairman, I have a slightly different
23 view than the Senator from South Dakota. The fact is that
24 if this proposal goes through, the Agriculture Committee
25 has no choice. It must cut \$1 billion out of agriculture.

1 It has no choice.

2 We are recommending here that the \$1 billion be a
3 reduction in EEP. Now, the Agriculture Committee
4 according to its own discretion decides it wants to do
5 something else has to find \$1 billion some place else to
6 cut.

7 So as a practical matter we are saying, sure,
8 Agriculture Committee, that is your bailiwick, that is
9 your jurisdiction, but we are also saying you have to cut
10 it and the Agriculture Committee has no place to cut but
11 EEP. I do not think we are going to cut the farm program
12 another \$1 billion over five years. The Agriculture
13 Committee has no choice.

14 So I would just say, Mr. Chairman, in answer to the
15 question the Senator from New Jersey asked the Secretary,
16 must this financing package pass so the GATT -- the answer
17 is obviously no.

18 The Chairman. Fine.

19 Senator Baucus. I am not finished, Mr. Chairman.
20 The question is, what financing package. It does not have
21 to be this financing package. It can be another financing
22 package.

23 I just suggest before we vote on the financing, let
24 us dig down, let us find a way to make sure that the
25 financing cuts are fair across the board. I must

1 reluctantly, Mr. Chairman, say that I cannot support this
2 because I do not think it is fair.

3 The Chairman. Senator, we understand that and that
4 is your right.

5 Senator Baucus. And those are the reasons why I must
6 not.

7 The Chairman. Does Senator Boren wish to speak?

8 Senator Boren. Mr. Chairman, I must agree with what
9 Senator Baucus has said and what Senator Conrad has said.
10 I also am in the same position. I am very strongly
11 supportive of GATT, but I cannot vote for this financing
12 package. I do not think it is fair.

13 I worked on the EEP program for many years. In fact,
14 I wrote the original, at least the modern version of the
15 EEP bill. I was the principal author of that. It came
16 out of my subcommittee and I do think it is true that if
17 we are deprived of this \$1 billion in this package, that
18 while we do not have jurisdiction over the Agricultural
19 Committee, the Agriculture Committee will be forced with a
20 situation in which it will have to trim that much the
21 other alternative programs that could be adopted.

22 EEP obviously cannot continue as it has been in the
23 past under GATT. But there are alternative programs that
24 would help for the distribution and marketing overseas of
25 American agricultural products that would be legal under

1 the GATT rules, which I hope that we will adopt. I think
2 that is unfair.

3 I also want to express -- Senator Roth is not here
4 and Senator Wallop -- they have expressed concern in the
5 past also over the fact that we are eliminating the same
6 condition substitution.

7 Let me say that in terms of bringing in raw materials
8 into this country and then modifying them by value added,
9 the chemical industry is an example, oil refining is
10 another where we have had catastrophic declines from a
11 national security point of view, if we adopt this
12 provision as a way of eliminating same condition
13 substitution as a way for paying for GATT, we are
14 absolutely going to push off shore what little refining
15 capacity we have and a lot of our chemical capacity and I
16 think it is a mistake.

17 So I am perfectly willing to work on alternative
18 financing packages. But I do think that this really is
19 very unfair in terms of its impacts. So I am going to
20 support GATT, but I am going to vote against this package
21 and we will hope that we will go back to the boards.

22 The Chairman. Fine. May I say before we vote that
23 first of all I appreciate Senator Daschle's making the
24 point that we are not voting one way or another with
25 respect to actions of the Agriculture Committee. We are

1 voting on matters which are in the jurisdiction of the
2 Finance Committee.

3 The second thing to say, as soon as this matter, the
4 financing, is settled, the bill will be open to amendment
5 and we will proceed in that regard. Is that agreeable to
6 you, Senator Packwood?

7 Senator Packwood. Vote.

8 The Chairman. Vote says Senator Packwood. The Clerk
9 will call the roll.

10 The Clerk. Mr. Baucus?

11 Senator Baucus. No.

12 The Clerk. Mr. Boren?

13 Senator Boren. No.

14 The Clerk. Mr. Bradley?

15 Senator Bradley. Aye.

16 The Clerk. Mr. Mitchell?

17 The Chairman. Aye by proxy.

18 The Clerk. Mr. Pryor?

19 Senator Pryor. Aye.

20 The Clerk. Mr. Riegle?

21 The Chairman. Aye by proxy.

22 The Clerk. Mr. Rockefeller?

23 Senator Rockefeller. Aye.

24 The Clerk. Mr. Daschle?

25 Senator Daschle. Aye.

1 The Clerk. Mr. Breaux?
2 Senator Breaux. Aye.
3 The Clerk. Mr. Conrad?
4 Senator Conrad. No.
5 The Clerk. Mr. Packwood?
6 Senator Packwood. Aye.
7 The Clerk. Mr. Dole?
8 Senator Packwood. No, by proxy.
9 The Clerk. Mr. Roth?
10 Senator Packwood. No, by proxy.
11 The Clerk. Mr. Danforth?
12 Senator Danforth. Aye.
13 The Clerk. Mr. Chafee?
14 Senator Chafee. Aye.
15 The Clerk. Mr. Durenberger?
16 Senator Packwood. No, by proxy.
17 The Clerk. Mr. Grassley?
18 Senator Grassley. No.
19 The Clerk. Mr. Hatch?
20 Senator Packwood. No, by proxy.
21 The Clerk. Mr. Wallop?
22 Senator Packwood. No, by proxy.
23 The Clerk. Mr. Chairman?
24 The Chairman. Aye.
25 There are 11 ayes and 9 nays. The measure is agreed

1 to. The committee will stand in recess.

2 (Whereupon, at 12:10 p.m., the above-entitled meeting
3 recessed, to resume on Monday, August 1, 1994 at 10:00
4 a.m.)

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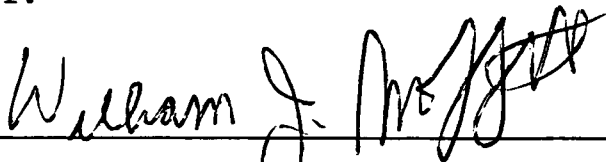
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C E R T I F I C A T E

This is to certify that the foregoing proceedings of an Executive Committee Meeting held before the United States Senate Committee on Finance on July 29, 1994, were transcribed as herein appears and that this is the original transcript thereof.

A handwritten signature in cursive script, reading "William J. Moffitt", is written over a horizontal line.

WILLIAM J. MOFFITT
Official Court Reporter

My Commission Expires April 14, 1999

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United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

LAWRENCE O'DONNELL, JR., STAFF DIRECTOR
LINDY L. PAULL, MINORITY STAFF DIRECTOR AND CHIEF COUNSEL

EXECUTIVE SESSION

Friday, July 29, 1994 -- 11:00 a.m.

Room SD-215 Dirksen Senate Office Building

A G E N D A

To consider recommendations for legislation to implement the Uruguay Round of Multilateral Trade Negotiations.