

Bob L.

OFFICIAL TRANSCRIPT

COMMITTEE ON FINANCE

UNITED STATES SENATE

EXECUTIVE SESSION

Tuesday, September 16, 1980

Washington, D. C.

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EXECUTIVE SESSION

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TUESDAY, SEPTEMBER 16, 1980

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United States Senate,
Committee on Finance,
Washington, D. C.

The committee met, pursuant to call, at 10:45 a.m., in room 2221, Dirksen Senate Office Building, the Hon. Russell D. Long (chairman of the committee) presiding.

Present: Senators Long, Ribicoff, Byrd, Gravel, Bentsen, Matsunaga, Moynihan, Baucus, Boren, Bradley, Dole, Packwood, Roth, Danforth, Chafee, Heinz, Wallop and Durenberger.

The Chairman. Let me call this meeting to order.

Senator Ribicoff.

Senator Ribicoff. Mr. Chairman, I would like to raise a basic policy decision for this committee to make. It is my judgment that the bill passed, voted out by the Finance Committee before our recess, was an excellent. I think it is a superior bill to any of the proposals of Presidential candidates, and as a result of hard bipartisan work to craft a bill that would have meaning for this country. As I recall, it received a vote almost unanimously. There was only one vote against it out of this committee.

1 That bill has significance for this country. We are
2 now faced today in this session with a list of many proposed
3 amendments to this bill that take six pages. I don't
4 question the sincerity of the members of the committee in
5 proposing this legislation, much of it is proper and
6 legitimate. But I don't believe, for the dignity and the
7 self-respect of this committee at this stage of the session,
8 and the problems facing this country, we should consider any
9 of these proposals no matter worthy.

10 What faces us is a major piece of tax legislation which
11 in many ways charts a new direction for this nation, both
12 for individuals and for business. Leaving this committee,
13 and leaving the Congress, I think that this is the
14 outstanding committee of the entire Congress of the United
15 States, and the quality of the men that compose it, and your
16 leadership, Mr. Chairman, and that of the ranking minority
17 member, Senator Dole; the seriousness with which all of the
18 major issues facing our nation are addressed, I would just
19 like to see, as we come to a close of this session, that the
20 serious work performed by the membership of this committee
21 in voting out the basic tax bill should not be watered down
22 by making it a Christmas tree bill.

23 I would like to move that we erase from consideration
24 today, and also defend on the floor, the basic clean bill
25 that we voted out, and vote not to consider any of the

1 measures on the six pages before us today.

2 The Chairman. I will call on Mr. Dole, then on Mr.
3 Bentsen, and then on Mr. Byrd.

4 Senator Dole. First of all, I want to commend my
5 colleague from Connecticut, and I would like to second that
6 motion.

7 We have had discussion in my office for the past hour,
8 all the Republican members were present, and they will all
9 be here later. We reached the same conclusion. I
10 understand the Democrats were meeting in another room, and
11 at least Senator Ribicoff reached that conclusion.

12 For the very reasons that you stated, Senator Ribicoff,
13 it seems to me that we have one primary responsibility, and
14 that is to move ahead with the bill reported out of this
15 committee. I have three, four or five measures on these six
16 pages. Other members have as many or more.

17 I would guess that the great majority have merit, and
18 some are not opposed by the Treasury, and some are not
19 controversial at all. But it would seem to me, in the
20 spirit underlined by Senator Ribicoff, that we should make
21 that decision right now and then move forward with the other
22 items.

23 The Chairman. Senator Bentsen.

24 Senator Bentsen. Mr. Chairman, charges are made that
25 you pass a tax cut for political purposes. Yet, I look at

1 the membership of this committee, and very few are still
2 running for reelection who have not already been assured of
3 their selection.

4 In addition to that, all Republican polls show that you
5 have a mixed-bag these days as to whether we should have a
6 tax cut or not.

7 I am for this tax cut because I think that it is right
8 for the country. You are going to have an \$86 billion
9 additional amount in taxes next year, and we are talking
10 about \$39 billion for the calendar year.

11 Let me make a point. I have seen a number of
12 statements in the media that we overshot by \$9 billion what
13 we were going to put in this bill. That is just not
14 correct. When we started out, we said that there would be a
15 maximum of \$40 billion for the calendar year, or a maximum
16 of \$20 to \$25 billion for the fiscal year. This bill has
17 \$39 billion for the calendar year, and it has \$18 billion
18 for the fiscal year. We stayed within the limitations.

19 We have been charged with the idea that we could not
20 resist, for an election, making a Christmas tree out of
21 this. I think we can prove the contrary. I think that it
22 is important that we show the country, and that we exercise
23 that responsibility.

24 I totally support what the Senator from Connecticut and
25 the Senator from Kansas said. I know my colleagues I have

1 heard speak on this side feel the same way about it. I very
2 much want to support the motion that we have a clean bill,
3 that we go to the floor with a clean bill, and that we
4 resist the amendments. I, too, have a number that I am
5 concerned about, but in the interest of unity and moving
6 expeditiously, and seeing that we get the tax cut passed,
7 because if we don't do it this year, I promise you that it
8 will be at least six months before you finally get one done,
9 at least six months. Not that we are going to shorten this
10 recession, but that we can improve the quality of the
11 recovery from that recession.

12 So I strongly support what the Senators said.

13 The Chairman. Senator Byrd.

14 Senator Byrd. I want to express full agreements with
15 the comments of the Senator from Connecticut, the Senator
16 from Kansas, and the Senator from Texas. I think that it
17 would be a great mistake to load down the bill which the
18 Finance Committee has reported out.

19 I think that if we are going to have a tax reduction
20 bill this year, that that is probably the best bill that can
21 be presented to the Senate. I would hope that the motion
22 made by the Senator from Connecticut would be approved
23 overwhelmingly by this committee.

24 The Chairman. Senator Roth.

25 Senator Roth. Mr. Chairman, it seems to me that one of

1 the most important remaining pieces of action for this
2 Congress is to act on our tax cut. I think that the step
3 proposed by Senator Ribicoff and Senator Dole is of critical
4 importance if we are going to get that done.

5 One of my concerns is that many people are saying that
6 neither the Senator nor the House will act prior to November
7 4. We will go home to a recess, and possibly take some
8 action at a later date.

9 I wonder if the chairman would care to comment -- it
10 seems to me of critical importance that this legislation be
11 a first order of business -- as to what he anticipates the
12 prospect of action before the recess, both here and in the
13 other House.

14 The Chairman. It just seems to me that if you do no
15 more than take the items that the Administration has
16 endorsed, which the committee had recommended -- Some of
17 their recommendations are sort of a distinction without a
18 difference.

19 If the Administration at a minimum agrees that there
20 ought to be a tax cut for individuals of enough to offset
21 the Social Security tax increase, and they are recommending
22 that, common sense would say that good administration would
23 require that if you are going to do that, it ought to be
24 done before January 1 so you would not have the withholding
25 go up on the working man's check in January, in order to

1 give it back to him in the middle of the year.

2 In addition to that they are making some
3 recommendations with regard to depreciation. Their
4 recommendations on investment tax credit are fine as far as
5 this Senator is concerned. As far as I am concerned, I
6 would be willing to consider some of that instead of the 72
7 percent that we have in our bill.

8 If you think you ought to act on it, I see no excuse
9 for waiting six months to do it.

10 We have a recommendation on capital gains. I have not
11 the slightest doubt that the Senate will buy that and the
12 House will buy it. I suspect that that should be voted on
13 on its merits. It strictly one simple bill on capital
14 gains. I would not make any difference what the President
15 thinks about it because if he wanted to veto it, it would be
16 enacted over his veto.

17 We have some provisions in here -- You take the
18 provision that has to do with depreciation, if you are going
19 to do it, whether you take the committee approach or you
20 take the Administration approach, and they both have some
21 merits to them.

22 There as an article, and I thought that I had it in my
23 wallet, that says that people are holding up their orders
24 for new machine tools to wait and see if they are going to
25 get better tax consideration with regard to it. All of that

1 in my judgment says that it is orderly tax administration
2 and, in turn, what is good for the country.

3 If you think that you ought to do something to hasten
4 and improve the quality of the recovery from this recession,
5 all that would dictate that you should not wait six months.
6 You ought to act while the need is greatest. I would think
7 that all of this would indicate that we ought to act now.

8 What is the big argument for waiting? The big argument
9 for waiting is that we can't resist the pressures to do the
10 kind of things that Mr. Ribicoff says we should not do.

11 Frankly, I am committed. If the committee wants to
12 insist on considering these less significant amendments,
13 these more narrowly drafted proposals, I will have to go
14 along with that. I said I would and I certainly will. But
15 if it be the unanimous view of the committee that they don't
16 want to insist on that, then I think that it makes sense.

17 Senator Roth. Mr. Chairman, I agree with much of what
18 you said. I think that it is extremely important that this
19 committee agrees here and on the floor that we will fight
20 any effort to try to make this a Christmas tree package.

21 I might say that I also think it is extremely important
22 that we agree that we are not going to use any other
23 vehicles for that purpose either. I think the principal
24 beneficial thing that we can do is to get this tax bill in
25 the law prior to recess, whenever that may be.

1 I would just like to say on the timing. I agree with
2 you that six months is too long. But I also would like to
3 say that I think even a three or four month wait is too
4 long. I feel that the sooner we put in place the tax
5 proposals that we have recommended here, the sooner we are
6 going to have the beneficial impact that you have
7 mentioned.

8 It is not only a question of trying to get people to go
9 ahead and make procurement of equipment and other things
10 because of favorable treatment with respect to depreciation,
11 but that is just as true the next week, the next month, or
12 the next two months.

13 If I understand the chairman correctly, we will
14 hopefully be taking this legislation up prior to recess. I
15 would ask and urge that he, as well as my minority leader,
16 take every action that they can to persuade the House that
17 this action has got to be adopted before we temporarily
18 recess for the election.

19 Senator Ribicoff. If the gentleman would yield.

20 My feeling is that if this committee acted unanimously
21 that we are going to have a clean bill, and that we would
22 resist all amendments to the bill, and if Senator Long and
23 Senator Dole would speak with Senator Byrd and Senator
24 Baker, so they would then know that this would not hold up
25 the recess, or adjournment on October 4, then you would have

1 a very, very excellent chance to get this on the calendar
2 and considered. Then you can get this passed in day's
3 time.

4 I think the great fear, in my conversations with
5 Senator Byrd, was just this, he did not feel that there was
6 enough time to do it. If that were the case, Senator Long
7 and Senator Dole could meet with the joint leadership, and I
8 have the feeling that we could pass this very rapidly.
9 Then, of course, it is up to what the House does.

10 The Chairman. Senator Chafee.

11 Senator Chafee. Mr. Chairman, I just want to say that
12 I agree with what the Senator from Connecticut and the
13 Senator from Kansas have proposed, and the others have
14 joined in with.

15 I would just like a bit of clarification. As I
16 understand the Senator from Connecticut, he is suggesting
17 that we resist all amendments on the floor. I am for that
18 if we all stick together. There will be some tantatilizing
19 amendments offered on the floor, there is no question about
20 it, but if the proposal is that all 20 of us resist all
21 amendments, as I understand it, I am for that.

22 Is that the proposal?

23 Senator Ribicoff. That is the proposal.

24 Senator Packwood. Mr. Chairman.

25 The Chairman. Senator Packwood.

1 Senator Packwood. I voted against this bill anyway,
2 and will probably do so on the floor. But what are you
3 going to do about the charitable contributions amendment? I
4 do recall the statement being made here that if it was not
5 offered here, you would support it if it was offered on the
6 floor, and encouraged that it be offered on the floor.

7 Senator Moynihan. Mr. Chairman, if I could say one
8 word.

9 The Chairman. Senator Moynihan.

10 Senator Moynihan. Mr. Chairman, I think you will
11 recall that in our conversations it was agreed that we would
12 do that. That, in effect, is part of the bill that we
13 reported out, the fact that we would bring this amendment
14 up.

15 The Chairman. As far as I personally am concerned, I
16 made that commitment, and if the amendment is offered I will
17 have to keep it. I simply have no choice about that matter.

18 Senator Dole. That is the only one?

19 Senator Moynihan. Yes, that is the only one.

20 Senator Danforth. Mr. Chairman.

21 The Chairman. Senator Danforth.

22 Senator Danforth. The problem with having one
23 exception is that it is the proverbial "being a little bit
24 pregnant" problem. I am concerned that if we say, but for
25 this one exception, we are all going to hang together,

1 before long it all falls apart.

2 I can understand Senator Moynihan's and Senator
3 Packwood's interest in the charitable deduction question. I
4 share that interest. But it would be my hope that in the
5 interest of keeping us all together, they might defer that
6 question to a later date.

7 Senator Ribicoff. Let me make that suggestion. It is
8 my understanding that we are coming on November 12th, and my
9 understanding is, too, that there will be a short number of
10 items that will be considered. Would it be possible to have
11 that as one of the items to be considered, and clear it with
12 the joint leadership when you come back on November 12 in
13 order to avoid the problem brought up by Senator Danforth?

14 Senator Packwood. Mr. Chairman.

15 The Chairman. Senator Packwood.

16 Senator Packwood. Bear in mind that I probably will
17 vote against this bill anyway. I don't think that Senator
18 Moynihan and I would have any objection if the committee
19 wanted to add it as an amendment, and made it an appropriate
20 part of the bill, so it did not have to be offered by us as
21 an amendment on the floor. I understand your bind.

22 This is not just line one exception and a little bit
23 pregnant. This was the only thing that I recall that was
24 specifically kept off of the bill with the assurance that
25 when the bill was there, it would be offered and supported

1 by those who would have otherwise supported it, had it been
2 offered on the bill.

3 Senator Moynihan. Mr. Chairman, I think Senator Dole
4 has a suggestion.

5 The Chairman. Senator Dole.

6 Senator Dole. I was just going to do what Bob Packwood
7 suggested. I think I made the same statement that Senator
8 Long made with reference to the bill. As far as I know this
9 is the only one involved. As it was indicated, it was kept
10 off.

11 Maybe we could just modify what we have done, still
12 keep our integrity and resist any other amendments on the
13 floor.

14 Senator Moynihan. As I understand the proposal, it is
15 simply to adopt the amendment in committee.

16 The Chairman. Would the committee be willing to agree
17 that we would vote on just that one amendment, and that one
18 only?

19 Senator Moynihan. I think Senator Dole is suggesting
20 that we amend our bill.

21 The Chairman. I mean that. Is the committee willing
22 to consider this one amendment, and that one only?

23 It is all right with me if you want to do that.

24 Senator Packwood. It is fine with me.

25 Senator Bentsen. What are we talking about in the way

1 of costs?

2 The Chairman. We are talking about a deduction for
3 charitable contributions and phasing it in over a four-year
4 period.

5 Senator Packwood. For those who take the standard
6 deduction.

7 Senator Bentsen. I know that very well, but I want to
8 be reminded of what the cost was.

9 Senator Packwood. Don, on a four-year phase in?

10 Mr. Lubick. I don't have it on a four-year phase in.
11 The basic initial cost was about \$3.6 or \$3.7 billion if it
12 were made fully effective for 1981.

13 Senator Moynihan. The first year costs are \$150
14 million.

15 Mr. Shapiro. That is the fiscal year. The calendar
16 year, Don used a calendar year basis of \$3.5 or \$3.6. The
17 fiscal year comparable to the calendar year is approximately
18 \$600 million.

19 The Chairman. Suppose you phase in one quarter a year,
20 and that is what the Senator offered to do previously. You
21 say, we will do this over a four-year period, and we will
22 phase it in one quarter each year. If you did it that way,
23 how much of it would that cost in the first calendar year?

24 Mr. Shapiro. If you phase it in over four years, and
25 you take one fourth in the first year?

1 The Chairman. If it did not go into effect for this
2 year. If it went into effect for January next year. In the
3 first calendar year what would it cost you if you phase it
4 in one quarter each year. Most people would not b claiming
5 it until the end of the year, would they?

6 Mr. Shapiro. It would have a very small fiscal effect
7 in the fiscal year 1981.

8 The Chairman. But in the calendar year how much would
9 it cost?

10 Mr. Shapiro. Senator, the way we do calendar year
11 basis is that we assume that the returns are all filed on
12 December 31 for full calendar year effect. It would be
13 approximately one fourth of the \$3.5 billion, so it would be
14 \$900 million

15 On a four-year calendar year basis, approximately \$900
16 million, and a very small fiscal year effect because very
17 little of it is taken into account in estimated payments.

18 Senator Packwood. Give me the assumption again. I
19 have never understood that. You assume that all of the
20 calendar year returns are filed on December 31st, 1981.

21 Mr. Shapiro. What we are saying, to give you the basis
22 for the revenue effects, you want to take in one full
23 calendar year as if everybody started on January 1 and
24 evened up with the Federal government on December 31st.

25 Since our budget is run on a fiscal year basis, we show

1 you what the real fiscal effect is and that is from a
2 budgetary point, and that is why there is always a
3 significant difference between the calendar year and the
4 fiscal year, at least in the initial years.

5 Senator Roth. The \$900 million would be within the \$40
6 billion.

7 Senator Bentsen. It comes within the \$40 billion, that
8 is right.

9 Senator Moynihan. Mr. Chairman, I would like to
10 propose that we adopt this measure.

11 The Chairman. Is there further discussion?

12 Mr. Lubick. Mr. Chairman, I would like to point out
13 that one of our concerns was not only the first year revenue
14 cost, but the long range revenue cost. You have added a
15 considerable amount to the long-range revenue cost of the
16 bill through this provision, which as you know we think will
17 cause some very serious problems on the merits.

18 The Chairman. I understand that.

19 All in favor of the proposal say, aye.

20 (Chorus of ayes.)

21 The Chairman. Opposed, no.

22 (Chorus of noes.)

23 The Chairman. Let's call the roll on it.

24 Mr. Stern. Mr. Talmadge.

25 (No response.)

1 Mr. Stern. Mr. Ribicoff.
2 Senator Ribicoff. No.
3 Mr. Stern. Mr. Byrd.
4 Senator Byrd. No.
5 Mr. Stern. Mr. Nelson.
6 (No response.)
7 Mr. Stern. Mr. Gravel.
8 Mr. Gravel. Aye.
9 Mr. Stern. Mr. Bentsen.
10 Senator Bentsen. No.
11 Mr. Stern. Mr. Matsunaga.
12 Senator Matsunaga. Aye.
13 Mr. Stern. Mr. Moynihan.
14 Senator Moynihan. Aye.
15 Mr. Stern. Mr. Baucus.
16 Senator Baucus. Aye.
17 Mr. Stern. Mr. Boren.
18 Senator Boren. Aye.
19 Mr. Stern. Mr. Bradley.
20 Senator Bradley. Aye.
21 Mr. Stern. Mr. Dole.
22 Senator Dole. Aye.
23 Mr. Stern. Mr. Packwood.
24 Senator Packwood. Aye.
25 Mr. Stern. Mr. Roth.

1 Senator Roth. Aye.

2 Mr. Stern. Mr. Danforth.

3 Senator Danforth. No.

4 Mr. Stern. Mr. Chafee.

5 Senator Chafee. Aye.

6 Mr. Stern. Mr. Heinz.

7 (No response.)

8 Mr. Stern. Mr. Wallop.

9 Senator Wallop. Aye.

10 Mr. Stern. Mr. Durenberger.

11 Senator Durenberger. Aye.

12 Mr. Stern. Mr. Chairman.

13 The Chairman. Aye.

14 Senator Byrd. Mr. Chairman, while he is tallying up
15 the vote, may I say I felt it necessary to vote against this
16 because it seems to me that it establishes a precedent, and
17 I don't know what is going to come up next.

18 The Chairman. The vote is 13 ayes, and four nays.

19 It is my understanding that with that one exception we
20 plan to so modify our bill. I would hope that we could
21 incorporate that amendment, and having done that, we could
22 then agree, if the committee is willing to agree
23 unanimously, that that is the bill.

24 Senator Chafee. Mr. Chairman, now we have agreed that
25 we will stand uniform against all other amendments on the

1 floor. There will be 20 votes to start with against any
2 amendment.

3 The Chairman. That is right.

4 Senator Bentsen. That is a good point.

5 Senator Chafee. If we are going to hang, let's all
6 hang together.

7 Senator Baucus. Mr. Chairman, I would like to clarify
8 that point.

9 There may be some measures which are not revenue losing
10 measures. That is, I have a measure, and I am sure others
11 do too, that does not lose revenue at all. One is an
12 attorney's fees bill that has no effect, really, on
13 revenue. Another has to do with the rights of taxpayers in
14 dealing with the IRS.

15 Again, these are not garden variety special interest
16 matters that we are talking about here, and I am wondering
17 if those amendments, too, would be excluded from this bill.

18 Senator Ribicoff. If the Senator would yield.

19 I think that that is another factor. They may be good
20 amendments, but if Senator Dole and Senator Long are going
21 to try to convince the leadership that this is not going to
22 be dragged out to prevent adjournment or recess on October
23 4, they will have a tough job convincing them if they feel
24 that you have to go through a long debate on all of these
25 prospective amendments. So we will have to have a clean

1 bill.

2 Senator Baucus. Mr. Chairman, I am willing to refrain
3 from offering these kinds of amendments in light of the
4 statement you have made. However, if I do so, it will be
5 with the understanding that others also would not offer the
6 same kind of amendments.

7 The Chairman. I would hope that we could agree that
8 basically we are going to limit ourselves to the germaneness
9 rule that we have frequently abided by in the Senate. We
10 will try to get others to do the same. If we are forced to
11 do so, we will try to get cloture on the bill so that it
12 would limit everybody to germaneness. That is a very strict
13 rule, you know.

14 Senator Packwood. Mr. Chairman, I have a question.
15 I agree with this procedure on this bill. That leaves
16 us with two kinds of amendments left. Some amendments
17 involving extensions, the Airports and Airways Trust Fund is
18 one. Whether you extend them or not, you have got to make
19 some decision on those. Then, we have a whole lot of
20 legitimate, but what are going to be called Christmas tree
21 or special interest amendments.

22 Those are the two categories. Then, are we talking
23 about sending out two other bills, one of which will have
24 extensions on it, and a second bill that is going to be the
25 big Christmas tree bill which everyone knows will not go any

1 place.

2 The Chairman. Why don't we try to settle these things
3 one at a time.

4 With regard to this bill, why don't we call the roll on
5 Senator Ribicoff's motion.

6 Mr. Stern. Mr. Chairman, am I correct that what the
7 committee earlier agreed to do was to modify the committee
8 amendment to the House passed bill. So you are not
9 submitting this to the Senate for its approval. You are
10 simply modifying the bill at the time that it is called.

11 Senator Baucus. Could the senator restate his motion.

12 The Chairman. Let me just suggest this. In view of
13 the fact that what we are talking about is only one
14 amendment -- we are not talking about a whole bunch of them,
15 we are talking about one amendment, rather than to have the
16 manager modify the bill, why don't we just reconsider the
17 bill, add the amendment to it, and then vote on the bill as
18 amended.

19 Without objection, then, we will reconsider the bill.

20 Mr. Stern. Mr. Chairman, the bill has been reported
21 and is on the Senate calendar.

22 The Chairman. It is on the Senate Calendar?

23 Mr. Stern. Yes, Mr. Chairman, and that is why I am
24 suggesting that you simply modify the amendment.

25 The Chairman. I will have to so modify it, then.

1 Let's be sure that when this bill is called up that the
2 information about the committee amendment, the charitable
3 contribution amendment is on everybody's desk. When I
4 modify the amendment, nobody will be able to say that they
5 did not know that it was going to be part of the bill.

6 Mr. Stern. We will try to have information that you
7 can put in the record before the bill is taken up, too.

8 The Chairman. Let's make it all clear so that nobody
9 can say that he is taken by surprise, or did not have the
10 information on which to base a judgment, and all that.

11 Mr. Stern. This vote is on keeping miscellaneous
12 amendments off the major tax cut bill, as so modified in the
13 committee and on the floor.

14 The Chairman. Yes.

15 Mr. Stern. Mr. Talmadge.

16 (No response.)

17 Mr. Stern. Mr. Ribicoff.

18 Senator Ribicoff. Aye.

19 Mr. Stern. Mr. Byrd.

20 Senator Byrd. Aye.

21 Mr. Stern. Mr. Nelson.

22 (No response.)

23 Mr. Stern. Mr. Gravel.

24 Senator Gravel. Aye.

25 Mr. Stern. Mr. Bentsen.

1 Senator Bentsen. Aye.
2 Mr. Stern. Mr. Matsunaga.
3 Senator Matsunaga. Aye.
4 Mr. Stern. Mr. Moynihan.
5 Senator Moynihan. Aye.
6 Mr. Stern. Mr. Baucus.
7 Senator Baucus. Aye.
8 Mr. Stern. Mr. Boren.
9 Senator Boren. Aye.
10 Mr. Stern. Mr. Bradley.
11 Senator Bradley. Aye.
12 Mr. Stern. Mr. Dole.
13 Senator Dole. Aye.
14 Mr. Stern. Mr. Packwood.
15 Senator Packwood. Aye.
16 Mr. Stern. Mr. Roth.
17 Senator Roth. Aye.
18 Mr. Stern. Mr. Danforth.
19 Senator Danforth. Aye.
20 Mr. Stern. Mr. Chafee.
21 Senator Chafee. Aye.
22 Mr. Stern. Mr. Heinz.
23 (No response.)
24 Mr. Stern. Mr. Wallop.
25 (No response.)

1 Mr. Stern. Mr. Durenberger.

2 Senator Durenberger. Aye.

3 Mr. Stern. Mr. Chairman.

4 The Chairman. Aye.

5 I think I can vote Mr. Talmadge. I have had his proxy
6 most of the time. You can add Senator Talmadge.

7 Senator Dole. I think we can record Senator Wallop as
8 voting aye.

9 Mr. Stern. Senator Wallop votes aye.

10 Senator Dole. Senator Heinz votes aye.

11 The Chairman. That makes it 19 to zero.

12 We will let Senator Nelson record himself because he
13 has not been heard from.

14 The vote is 19 to zero in favor of that approach.

15 Let's consider the other item that Senator Packwood
16 mentioned, and that is with regard to these other
17 amendments.

18 What could you suggest to us would be the logical
19 approach at this late stage with regard to these various
20 other amendments that the senators might want to offer to be
21 considered. We have these items of expiring dates, and
22 miscellaneous things, revenue sharing, and airport
23 improvements which are going to expire. We will act on
24 those.

25 But with regard to these other amendments that people

1 might want considered, what approach could you offer, Mr.
2 Shapiro? What might be the appropriate approach with regard
3 to these measures that either can be agreed to by unanimous
4 consent, or matters which have no Treasury objection, and
5 which are meritorious, and generally no one has any good
6 reason they should not be considered before we go home.
7 What suggestions can you offer about those?

8 Mr. Shapiro. There are several factors that the
9 committee should take into account.

10 First of all, there are some items in this list that
11 should be enacted. For example, your expiring tax
12 provisions, the extension of the Airport and Airways
13 Improvement Act. If you were to take some of those
14 provisions that should be enacted this year because they
15 expire, and put other amendments on them and that causes
16 problems either on the Senate floor or in the House, then
17 you take the risk of those not being enacted.

18 So you may want to consider that you want to make sure
19 that those bills which should be enacted, to do so you may
20 want to consider that these should be clean bills. The ones
21 that may be more controversial, meaning that you have got
22 the House to consider or the Senate floor, this committee
23 may very well have a series passed bills that you have on
24 the list right now on Item No. 11, and put some of yours
25 that are non-controversial, to which the Treasury has no

1 objection.

2 Then, the problem is that you may have some other
3 amendments on the House floor, and there may or may not be
4 time in the House to consider these beforehand. So if any
5 of those, for one reason or another do not get enacted this
6 year, they will have passed the Senate, and they will be
7 available to be passed next year.

8 The only concern that I have expressed and that the
9 committee may want to take into account, if you put any of
10 these other miscellaneous items, even though they may not be
11 controversial, on expiring provisions, you may run the risk
12 that other amendments will be put on this on the floor, and
13 that they may get bogged down either on the Senate floor or
14 in conference.

15 So what I am suggesting is that you may want to try to
16 keep your airways and your expiring provisions without
17 amendments, and use House passed bills, because these are
18 their special provisions, to add the ones you feel are
19 non-controversial. If they have been approved, you may have
20 a better chance of having them brought up on the Senate
21 floor without controversy.

22 If they do not have a revenue cost, if Treasury has no
23 objection, and they are not controversial in any other
24 respects, you may have them brought up almost on a unanimous
25 consent basis on the Senate floor. If the House feels the

1 same way about them as the Senate, they may take them
2 without a conference, so that you can get them enacted
3 rather routinely.

4 It is just that there is such a short period of time
5 left before either recess or adjournment for reelection that
6 it is not sure what is the best course in each of these
7 cases.

8 Senator Dole. You are not talking many of those
9 70-some items.

10 Mr. Shapiro. I am assuming that you are not talking as
11 many as those.

12 Senator Roth. Mr. Chairman, I would urge that the
13 committee adopt the point of view that limit future actions
14 to those which are essential, which is those taxes which
15 otherwise expire, and those that are non-controversial. I
16 think that it is important that between now and the end of
17 the year that we avoid any Christmastree package, and that
18 we limit ourselves to those which are essential for the good
19 of this country.

20 I don't know whether you want this in the form of a
21 motion, but if so, I will so make it.

22 Mr. Shapiro. You see, what you may do in that regard
23 is that the bills that Senator Byrd has held hearings on in
24 his subcommittee can be reviewed by the staff of the
25 majority and minority, the joint committee, with Treasury,

1 and bring back to you a so-called approved list on which
2 there have already been hearings, on which comments can
3 already be taken into account, which can be reviewed by the
4 committee.

5 Senator Roth. Could I suggest, Mr. Chairman, that
6 perhaps the staff could bring back a list of these which
7 they deem non-controversial, and those that are necessary to
8 prevent laws from expiring, so that we could consider them
9 at that time and limit our actions to those?

10 Senator Byrd. As I understand it, you would not
11 propose to put on that list any bills that have not had a
12 hearing before the Subcommittee on Taxation.

13 Mr. Shapiro. I am assuming that that is one of the
14 procedures that you are adopting. That it has to have had
15 hearings by the subcommittee, and then it would generally
16 not be a controversial bill.

17 The Chairman. Senator Matsunaga.

18 Senator Matsunaga. Mr. Chairman, there is one bill
19 that we would have reported out by August 19, but upon
20 assurance that there would be no objection after August 19,
21 I withdrew my proposal at the time. This is the foreign
22 conventions tax deductions bill.

23 I would suggest that this be reported out as a separate
24 bill. I have made quite a few commitments. The Treasury
25 has no objection to it.

1 Senator Ribicoff. Is that the bill that is to
2 counter-balance what this committee did on Canada penalizing
3 the American broadcasting industry.

4 Senator Matsunaga. Presently the law limits tax
5 deductions to two foreign conventions a year. The bill
6 would exempt Canada and Mexico from this restriction.

7 Senator Ribicoff. Was that not a matter of controversy
8 with Senator Moynihan, I believe, involving discrimination
9 by Canada against American broadcasters.

10 Senator Matsunaga. That is correct. Canada reacted to
11 the conventions bill, actually.

12 Senator Ribicoff. I thought that it was the other way
13 around. I have here a commentary from the Canadian
14 Broadcasting Company condemning Canada for taking the action
15 it has against American broadcasters, which is a very
16 serious indictment of discrimination by Canada against all
17 types of publication and television.

18 Senator Matsunaga. Senator Moynihan and Senator Heinz
19 both requested a postponement of the measure. They agreed
20 that after August 19 they would have no objection.

21 The Chairman. Mr. Lubick.

22 Mr. Lubick. Senator Ribicoff, you will recall that at
23 the time this came up the controversy was not with Senator
24 Matsunaga's bill, but with the notion of moving ahead while
25 the question of border broadcasting, which is a separate

1 question and not part of the bill at all, was still an open
2 question.

3 At that time, you will recall, there were some problems
4 of establishing a clear Administration position as between
5 the Treasury and the Special Trade Representative. You will
6 remember that there was a question as to whether the Special
7 Trade Representative wanted action deferred on this until we
8 were able to resolve the question of border broadcasting, or
9 come up with some other remedy in that area.

10 Since that time, we have worked, as you suggested, with
11 the Special Trade Representative to arrive at a different
12 type of procedure that would permit this measure to go
13 forward, and yet provide a remedy to deal with the border
14 broadcasting situation.

15 There have been some reports of this in the newspaper,
16 of the notion of sponsoring separate legislation with
17 respect to deductions for advertising on Canadian stations,
18 applying a reciprocal rule in the border broadcasting area,
19 which the Treasury has agreed, at the urging of the Special
20 Trade Representative, to support.

21 So at this stage, both we and the Special Trade
22 Representative are in agreement that Senator Matsunaga's
23 bill ought to go forward, and that the border broadcasting
24 situation, which we all agree calls for a remedy, ought to
25 be addressed through this separate procedure.

1 Senator Ribicoff. But you have not achieved that
2 agreement with the Canadians.

3 The Chairman. Let me make this suggestion on this
4 item.

5 Senator Matsunaga has the right to ask for a vote on
6 his amendment. Why don't we just agree that in this
7 situation he has the right to ask for a vote on his
8 amendment. So as part of looking at these various bills, we
9 will accord the Senator a vote on his amendment.

10 Senator Dole. Would it be one that the staff will look
11 at and report to us.

12 Senator Ribicoff. I have no problem with that.

13 The Chairman. We will vote on the amendment. That is
14 all that we have resolved at this moment, and that is that
15 we will vote on it.

16 So without objection, we will agree to what Mr. Shapiro
17 has suggested.

18 Senator Danforth. Mr. Chairman, could I ask a
19 question.

20 One of the proposals that was circulating around in the
21 last few days was that instead of putting all Christmastree
22 ornaments on the general tax bill, we would put all the
23 Christmastree ornaments on a separate bill or a separate
24 group of bills. It is my understanding that this is not how
25 we will be proceeding.

1 The Chairman. That is right.

2 Senator Danforth. It is my understanding that instead,
3 even with respect to a separate bill, we are going to limit
4 ourselves to matters which are non-controversial, and that
5 are agreed to be of a necessary sort, or an uncontroversial
6 sort, with no revenue effect. Is that right?

7 The Chairman. Or expiring dates.

8 Senator Danforth. Let me, if I could, just ask the
9 Administration this question.

10 The great concern that has been expressed with the
11 Administration is that we are going to proceed with what Mr.
12 Lubick called "bonbons."

13 Among the various matters for us to consider is there,
14 in your mind, Mr. Lubick, a differentiation between a
15 "bonbon" or an ornament, and a necessary, non-controversial
16 item. Do you understand what we are driving at here?

17 Mr. Lubick. I have no difficulty in making that
18 distinction, Senator Danforth. Some other people may
19 disagree with what is necessary.

20 Senator Danforth. If they disagree, then it becomes a
21 controversial matter. Therefore, it automatically falls
22 into the "bonbon" category.

23 (General laughter.)

24 Senator Danforth. In your view, therefore, if we
25 proceed on this route will we have avoided falling into the

1 "bonbon" bin?

2 Mr. Lubick. If we proceed on this route, you will have
3 effectively answered that objection, which I raised, and you
4 will be forever blessed as well as I, I suppose.

5 The Chairman. It will be sad news to some people that
6 there will be no "bonbons" between now and Christmas.

7 With that understanding, let's us look at these items
8 that are first on the agenda. Tell us about No. 1, Mr.
9 Stern.

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1 1. ALLOCATION REPORT REQUIRED BY THE BUDGET PROCESS

2 Mr. Stern. The budget process requires that after a
3 budget resolution is passed that the committee agree on an
4 allocation by major category. It just happens that the
5 Finance Committee has not yet filed an allocation report
6 related to the first resolution. In order to take up
7 legislation, that is required.

8 The staff suggestion, which is contained in Attachment
9 A, is basically to follow the categories as assumed by the
10 Budget Committee, which are basically savings related to the
11 reconciliation bill that the Senate has already passed, and
12 on which you will be conferring in the near future.

13 This shows up on page 5 of Attachment A. The table
14 there shows that for health programs there would be a net
15 savings of \$1.4 billion; income maintenance programs, a net
16 saving of \$0.5 billion; and general revenue sharing, a net
17 increase because the program is about to expire, of \$3.4
18 billion.

19 These figures are really related to what seems to be
20 the most likely legislative outlook, and budget authority
21 figures will be based on the same assumption under the
22 staff's suggestion.

23 The Chairman. Any discussion?

24 Senator Chafee. Mr. Chairman, just a quick question,
25 if I might.

1 Mr. Stern, on page 3, income security, you say: "The
2 committee may wish to allocate sufficient funding to cover
3 the cost of H.R. 4612, which was already passed." What do
4 we have to do to do that?

5 Mr. Stern. These numbers here will accommodate that
6 legislation because the net figure for income maintenance
7 programs has a larger savings figure than the net figure,
8 and that is offset by the pension offset provision which has
9 been passed by the Senate.

10 Senator Chafee. So if in conference we come up with a
11 pension offset that disregards half of social security, that
12 will be all right?

13 Mr. Stern. Yes.

14 Senator Chafee. Thank you.

15 The Chairman. If there is no objection, we will make
16 this recommendation.

17 (Document follows:)

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1 2. SOCIAL SECURITY MONTHLY RETIREMENT TEST, H.R. 5295

2 Mr. Stern. The second item is a bill, H.R. 5295, which
3 relates to the social security retirement test monthly
4 exception, and this is discussed in Attachment B.

5 Hearings were held earlier this year by the Social
6 Security Subcommittee.

7 In 1977, the Congress made a significant change in the
8 retirement test by eliminating the monthly exception to the
9 retirement test. Before that time, the earnings limitation
10 was applied either on an annual basis, or in any individual
11 month.

12 In eliminating the monthly exception, certain problems
13 were created that are addressed in this legislation. The
14 staff has three suggestions for modifying the House bill in
15 terms of the matter in the House bill, and two other
16 suggestions.

17 The first relates to the case where a mother or a
18 student enters the work force. Since the provisions are
19 related to the case of a person who is retiring, they cause
20 a hardship in the case where, for example, a widow whose
21 only child, or whose youngest child reaches 18 in the middle
22 of the year, and who works the rest of the year, she can
23 find herself losing entitlement to benefits she had gotten
24 earlier in the year.

25 The only suggestion we would make in modifying the

1 House bill provision in this regard is that it be limited to
2 the cases of the type that I have just mentioned, rather
3 than a case where the beneficiary's entitlement ended by
4 reason of death, or entitlement to another kind of social
5 security benefit.

6 We think that the House bill was not intended to deal
7 with that kind of a situation. So our recommendation would
8 be for that modification.

9 The Chairman. Any objection?

10 (No response.)

11 The Chairman. Without objection, it is agreed.

12 Mr. Stern. The second change that we recommend relates
13 to the provision which relates to farmers and insurance
14 salesmen, where the House bill excludes from gross earnings
15 income which a person gets because of services performed
16 before he became entitled to social security benefits.

17 This would be the case of an insurance salesman who
18 continues to get a commission after he retires, even though
19 he is not really performing services at that point. We
20 think that this is an error that was made in the original
21 1977 amendment.

22 The modification we are suggesting there is that you
23 exclude income under the provision only in years after the
24 year of initial entitlement. The House bill does have a
25 result we think is unintended, which would allow new

1 retirees to exclude from gross income in the year of first
2 entitlement certain amounts which were actually earned that
3 year. We think that this modification will make the House
4 bill do what it purports to do.

5 The Chairman. Without objection, it is agreed.

6 Mr. Stern. The other change we would make in this is
7 that the House bill only relates to the case where the
8 individual himself performs no services after becoming
9 entitled. So it does not apply, for example, to a widow.
10 The example is where a widow inherits her husband's farm
11 with an unsold prior year's crop, and she would lose one
12 year of benefits on the basis of the proceeds of the crop,
13 even though the work was done in the prior in the prior year.

14 So our suggestion there is that the House bill be
15 expanded to cover all kinds of beneficiaries, other than
16 disabled people, who subject to the retirement test any.
17 The income is not counted unless it is based on services
18 performed after becoming entitled to social security
19 benefits.

20 This modification could cost \$5 million, but it is a
21 modest modification in terms of the total cost of the bill.

22 Senator Dole. Mr. Chairman, just one question.

23 Mike, what we did previously on the year of entitlement
24 exclusion would not affect the example you talked about, who
25 is getting the cash in the first year of her entitlement on

1 her husband's death, would it?

2 Mr. Humphreys. If it is really her first year of her
3 entitlement, then she gets the monthly retirement test
4 anyway, and she will be able to get her benefits that year.
5 So it would have no effect on her.

6 Senator Chafee. How about these insurance agents on
7 page 4, does that incorporate all this?

8 In other words, you exclude the renewal commission
9 received?

10 Mr. Stern. That is correct. This is the case where a
11 person is not, i fact, performing employment services. He
12 really is retired. He just getting a commission for
13 policies that he sold before he retired

14 Senator Dole. That is the earlier provision that we
15 agreed to.

16 Mr. Stern. Yes.

17 Senator Chafee. Would that apply to deferred payments
18 for somebody who is under a contract. Athletes, or
19 something, who received a deferred payment for the rest of
20 his life?

21 Mr. Humphreys. In the case of an athlete that would
22 probably be employment income, rather than self-employment
23 income, and they are already taken care of under the present
24 law in the same way.

25 Mr. Stern. Did you want to agree to this modification

1 suggested here on including the widows as well as the
2 insurance salesmen?

3 The Chairman. All in favor say, aye.

4 (Chorus of ayes.)

5 The Chairman. All opposed, no.

6 (No response.)

7 Mr. Stern. Those are the three changes in the subject
8 matter of the House bill. We would suggest two other
9 things.

10 One is, since this bill does cost money, we would
11 suggest that you take the provisions that you have already
12 agreed with relation to social security savings that are on
13 the reconciliation bill and put them on this bill, so that
14 you have no budgetary problem with the bill. The ultimate
15 disposition of those provisions will depend on what you do
16 in the reconciliation, but this will prevent you from having
17 any problems of a budgetary nature.

18 The Chairman. That is a good idea.

19 All in favor say, aye.

20 (Chorus of ayes.)

21 The Chairman. All opposed, no.

22 (No response.)

23 Mr. Stern. The last thing which is at the end, we have
24 discovered a series of clerical and cross-reference in
25 technical areas in the Social Security Act over the course

1 of the last couple of years, which we suggest simply be put
2 in this bill. They are all listed here at the end.

3 The Chairman. Without objection, it is agreed.

4 Mr. Stern. Other than that, we would suggest that the
5 bill be reported favorably.

6 The Chairman. Without objection, the bill will be
7 reported.

8 (Attachment B follows:)

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1 3. REALLOCATION OF SOCIAL SECURITY CASH BENEFITS TAX
2 RATE, H.R. 7760

3 Mr. Stern. The provision here relates to a cash flow
4 problem between the two social security cash benefit funds,
5 the disability insurance fund and the retirement and old age
6 and survivors fund.

7 Right now the way money is allocated between the two
8 funds within the total tax rate will cause the old age and
9 survivors trust fund to run out of cash in the spring of
10 next year, while the disability insurance fund will build
11 up.

12 The Congress will need to do something about the
13 financing of the Social Security Program next year, but with
14 this reallocation between the two, you will not have a cash
15 flow problem but not in the other. The two would be going
16 down at approximately the same rate. In effect, the bill
17 would permit you to gain another year, so that you would
18 have the full year 1981 to deal with the financing problem.

19 A similar provision has been included in the
20 reconciliation bill, but the House has also passed it as a
21 separate minor bill, and we would suggest that you just
22 approve it without amendment.

23 Senator Danforth. Mr. Chairman.

24 The Chairman. Senator Danforth.

25 Senator Danforth. I would just like to point out at

1 this time that while this reallocation buys us about six
2 months of time, that is all that it buys us. The condition
3 of the Social Security Trust Funds is very, very
4 precarious.

5 By the end of 1981, even with the reallocation, the
6 combined trust funds will equal only 10 percent of the
7 various outgo. One month's outgo is 8.33 percent. So with
8 slight variations in assumptions there could be a major
9 problem with the cash flow in the Social Security Trust
10 Fund.

11 The long-range deficit of old age, survivors and
12 disability insurance over a 75 year period is approximately
13 \$18 billion annually. The demographics continue to change.
14 The ratio of workers to retirees is now three to one. In
15 another 50 years it will be about two to one.

16 Therefore, I hope that the Administration is busily at
17 work and the staff is busily at work preparing what must be
18 done in the near foreseeable future, which is a major new
19 look at the solvency of the Social Security Trust Funds.

20 Am I correct in my assumption that we are not going to
21 let this problem slide under a rug?

22 Mr. Stern. Yes, sir.

23 The purpose of this reallocation is to give you the
24 full calendar year 1981 because it will probably take the
25 better part of the year for the Congress to act on

1 financing, as was the case in 1977, and facing funds running
2 out in April or May is probably too short a time to act on
3 it.

4 Senator Danforth. I would also point out that in 1977
5 we were told that we were solving the problem of social
6 security between now and the end of this century, and the
7 tax increases that we voted on at that time, which have
8 proved to be inadequate, the Administration is now asking
9 for a credit to offset their effects because of their
10 unpopularity.

11 So next year is going to be an opportunity for us to
12 face up to a matter which is going to be terribly unpopular,
13 but terribly necessary.

14 The Chairman. What the Senator says emphasizes all the
15 more why we ought to go ahead and get this tax issue behind
16 us, so we can concentrate on other items such as the problem
17 of financing social security next year.

18 There are a lot of things that need to be done, and
19 things that we know the answer to already. We ought to go
20 ahead and vote on them and make them law, rather than be
21 arguing about things where we know the answers. This would
22 mean that we would have more time to work on the areas where
23 we don't know the answers.

24 So I would agree with the Senator, but I think that
25 this particular thing we ought to go ahead and do this for

1 now, to give us some time to work on this thing next year.

2 Without objection, I would suggest that we report this
3 bill.

4 Without objection, then it is agreed.

5 (Document C follows:)

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1 4. STATE UNEMPLOYMENT LOAN DEFERRAL, H.R. 4007.

2 Mr. Stern. The next item relates to State Unemployment
3 Loan Deferrals.

4 Mr. Boren. Mr. Chairman, my report on what we have
5 been doing on this. I think the subcommittee has been
6 working very hard on it, and I want to thank Senator Chafee
7 and Senator Bradley for all the hours of work that they put
8 into it, and also for a great deal of staff time that has
9 gone into it.

10 I think we have reached a proposal that we make.
11 Senator Heinz has also been very interested in it. We have
12 discussed it again this morning. I think that we have
13 reached a composite proposal that all of us, at least, feel
14 somewhat comfortable with. It is not perfect to anyone, but
15 I think that it is something we can recommend to the
16 committee.

17 Senator Dole. Does that satisfy Senator Bradley, too?

18 Senator Bradley. The proposal as we will describe it
19 does.

20 Senator Boren. Let me into the proposal that we have
21 come up with.

22 We have staff Document D. If you will turn to page 5,
23 the proposal is that we put a cap on the increased federal
24 taxes required of states that still owe the federal
25 government money from the loans made to the unemployment

1 funds.

2 The problem is that under current law, the tax
3 continues to increase at a .03 percent annual increase with
4 no cap whatsoever. So you could have a state that is in
5 very severe financial difficulty, and does not have a way of
6 paying back what it owes, and then all of a sudden it has
7 this tax on the employer going so high that it literally
8 forces businesses out of the state.

9 So we have tried to come up with a sympathetic approach
10 to their problem. This proposal would be that we would put a
11 cap of the maximum tax on the employers' increase of
12 six-tenths of one percent, and that is over and above the
13 .03 percent which is in effect in all states. So it would
14 be a maximum of 1.3 percent, six-tenth of which would be
15 going to repay their debt.

16 To qualify for this cap, the state would have to meet
17 certain requirements that are listed here on page 5. The
18 outstanding loan balance of the state as of September 30th
19 of the year could be no higher than it had been on September
20 30th of the preceding year. It could not get in deeper. No
21 state action could have been taken during the federal fiscal
22 year to reduce the state's unemployment tax efforts. Three,
23 no state legislation had been enacted during the same fiscal
24 year to have the net result of lessening the solvency of the
25 program.

1 In other words, if they are going to qualify under the
2 cap, they cannot be increasing or liberalizing their
3 benefits from a state point of view during this period of
4 time.

5 We have listed a four item, but there has been a good
6 deal of discussion about this. Senator Heinz, in
7 particular, objects to the fourth item listed, which would
8 give the Secretary of Labor authority to establish other
9 regulations and set other criteria. We would drop that
10 fourth item.

11 So the proposal that we make includes the three items
12 that are set forth for qualifying for the cap, and not
13 number four.

14 Turning over to page 6, I have felt very strongly, as
15 have other members of the committee, and of course the full
16 Senate several times has gone on record in saying that if we
17 are going to show some concern for these states that have
18 such problems, that we should do so only if we are making
19 some reforms in the system. This would be true in terms of
20 any consideration of liberalization of benefits.

21 We want to make sure that those benefits go to those
22 who deserve it, and the states that have remained solvent,
23 and have made reforms should not be footing the bill for
24 states that continue very, very liberal programs.

25 So along with this provision of the cap of six-tenth of

1 one percent increase, and the three qualifying factors, we
2 would adopt certain reforms in the unemployment program.
3 These begin to be listed on pages 7 and 8. There are two of
4 these listed that after discussion with the subcommittee we
5 have eliminated in order to make the package less
6 controversial.

7 The first is that we would not include the waiting
8 period for benefits. We have scratched that one out, the
9 one week waiting period. The other change is on page 8. We
10 would not include the suitable employment provision. That
11 causes a great deal of emotional discussion.

12 This would leave us with some very significant ones.
13 The elimination of the national trigger, which at the
14 current time would save about \$1. to \$1.1 billion under
15 current economic conditions. The optional state trigger
16 under current conditions does not save, but could save up to
17 \$30 million under differing economic conditions.

18 The unemployment benefits for ex-servicemen, which we
19 passed several times, is a \$41 million saving, \$11 million
20 on giving Federal agencies incentives to contest fraud.
21 Extended benefits for non-residents that can have savings,
22 depending again on the economic conditions, of \$46 million.
23 The voluntary quits is a \$50 million saving.

24 On the extended benefits payable on the basis of less
25 than 20 weeks of employment that is estimated to be \$200

1 million in savings.

2 One question has been raised on that. Senator Bradley
3 has raised that question. Some states, like New Jersey,
4 have the 20-week requirement, but they also say, "or if the
5 person has earned X dollars -- \$2,200 in their case -- in
6 the base year" as an alternative to the number of weeks.

7 Would that affect the savings significantly if we did
8 that?

9 Mr. Humphreys. It depends on what level states set
10 that alternative at. Some states have a very low dollar
11 amount as the qualifying requirement, and if you allowed
12 states to set any dollar amount they wanted, you essentially
13 would eliminate the saving.

14 I don't know off-hand if you want to specify an amount
15 to equal to 20 weeks times the average weekly wage in the
16 state, or something like that, you might recapture some part
17 of the savings. We would have to explore that and find
18 out.

19 Senator Boren. I think that that would be a way to do
20 it. Take the average weekly wage times the 20 weeks, and
21 set that as the alternative dollar figure. That should
22 still leave us with some significant savings.

23 That, Mr. Chairman, would be the package. We worked
24 very hard on this.

25 Senator Bradley has one additional modification to this

1 package, which would take care of states which find
2 themselves in prolonged down-turn, and I will let him
3 explain that.

4 Senator Bradley. Thank you, Senator Boren.

5 As a part of this total package, those provisions that
6 Senator Boren has described from page 6 on are part of a
7 package that also includes a recession proviso because the
8 package that we put together assumes that the economy is
9 reasonably healthy. If we go into a recession, new
10 borrowings will be required. As soon as the state goes back
11 for new borrowings, it is eliminated from being eligible for
12 any of the provisions that Boren described and the group
13 agreed to.

14 So what we arrived at, trying to consider the fact that
15 we are hitting into a recession and a recession is a
16 national cause, that a state would be able to go to get new
17 borrowings if it had an insured unemployment rate of 7
18 percent or if it had an insured unemployment rate for a
19 26-week period that was 20 percent greater than the same
20 26-week period in the previous two years. Also, the
21 provision that the amount of new borrowings would be
22 repayable commencing 24 months after that 26-week period
23 ended.

24 It is basically an effort, I think, that is consistent
25 with the package that we agreed to among our group. I think

1 it addresses the concern of a number of states and not just
2 Rhode Island and Pennsylvania, and New Jersey, but as we
3 head into this recession, it is projected that increasingly
4 higher numbers of states will come in for new borrowings.

5 So I think that it is a reasonable package as a total
6 package. I think I could support it, and I would urge the
7 committee to adopt it.

8 Senator Chafee. Mr. Chairman.

9 The Chairman. Senator Chafee.

10 Senator Chafee. Mr. Chairman, I know it is a isoteric
11 subject but it is of extreme importance to our states that
12 are involved in these problems. My state is currently
13 paying the added amount, all the employers are paying .6
14 percent above the normal amount they have to pay the federal
15 government.

16 So this cap is of great importance because absent this
17 bill, we will continue having to pay an additional
18 three-tenths of a percent every year, and it will be a
19 catch-22 situation where employers would be paying a higher
20 amount, thus discouraging employers to come to our state,
21 thus increasing the unemployment.

22 I would like to pay tribute to Senator Boren, who not
23 only has been a watchdog for the Treasury during this
24 exercise, but has been very accommodating, compassionate and
25 understanding of the problems that our particular states

1 face.

2 I think that it is a good compromise that we have
3 worked out, including the amendment that Senator Bradley
4 added. I give it wholehearted support, and I would like to
5 urge its passage, and would like to pay particular tribute
6 to Senator Boren for the time, energy and effort he has put
7 into it.

8 The Chairman. Is there objection?

9 Senator Bradley. I might mention one other matter.
10 The insured unemployment rate would have to have a base of 4
11 percent. In other words, you could not have a 20 percent
12 improvement going from 1 percent to 2 percent.

13 The Chairman. Is there objection?

14 (No response.)

15 The Chairman. Without objection, it is agreed to.

16 What is the next item?

17 Mr. Stern. There is another matter that we would like
18 to call to the committee's attention on unemployment which
19 shows up at page 9 of this Attachment D.

20 The insured unemployment rate as it used to be measured
21 by the Department of Labor included the people who are on
22 extended benefits. The effect of this was, once an extended
23 benefit program triggered in a state or nationally, the
24 insured unemployment rate went up, and therefore it took
25 longer to go back down.

1 The Department ultimately concluded that it was
2 illogical to include the extended benefit recipients in the
3 computation of whether extended benefits should be paid, and
4 they changed their definition some months ago. So that in
5 measuring insured unemployment for purposes of triggering in
6 would only include the people under the benefit program.

7 However, the matter came up in a federal court
8 recently, and the court took the position that this change
9 should only occur in the course of legislative action. This
10 is one case where the court decided that the Congress should
11 make a positive change in the law.

12 We are simply suggesting for the committee's attention
13 that you might want to go back --

14 Senator Boren. Mr. Chairman, I would ask unanimous
15 consent that we include that along with the reforms. That
16 really expresses the intent of what the committee wanted
17 them to do in the past, and we were all very pleased when
18 they made that change. It is certainly reasonable, I think
19 to make it.

20 Senator Ribicoff. Mr. Chairman, I am opposed to this
21 change. Last December, when the issue first came up, it
22 came up here. We had a national unemployment figure of 5.9,
23 and today is 7.6.

24 It seems to me that the extended benefit program was
25 created precisely to provide additional benefits in a period

1 of high unemployment, now it would exclude those currently
2 unemployed receiving extended benefits. A determination of
3 whether high unemployment exists is really tantamount to
4 ignoring reality.

5 Those workers who are unemployment and receiving
6 extended benefits are just as much a part of the unemployed
7 population as the more recently unemployed persons. This is
8 a situation where workers need extended benefits more than
9 any others because of a long unemployment span of time.

10 I hope that we don't tinker with the extended benefit
11 program at this time because in a period of high
12 unemployment we are penalizing, by definition, those areas
13 of those states that continue to have high extended
14 unemployment. I would oppose the change.

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1 Mr. Stern. This modification is brought about by a court
2 decision. The staff suggestion is to go back to the situation
3 before the court decision.

4 Senator Ribicoff. I know. Why should we adopt legislation,
5 then, that goes after the old definition when we extended it and
6 we rejected that? I would hope that we would not go with that new
7 definition.

8 Senator Boren. Well, I of course would differ with my good
9 friend and colleague just on the basis that I think we are then
10 including the people in the definition in determining whether or
11 not we trigger that. I think the issue is pretty clear.

12 The Chairman. Is that your amendment? What is the situation,
13 are we voting on an amendment here?

14 Mr. Stern. Yes, sir. It is not in the House bill.

15 Senator Boren. The staff had added this to the list over on
16 page 9, after they went through the reform they added this as an
17 additional item. The Department of Labor had adopted a regulation
18 which the court turned down.

19 All this would say is that we would go back and support the
20 Department of Labor's definition of what would constitute those
21 to be considered in determining the insured rate of unemployment.

22 The Chairman. Let us just vote on it. Those for the amend-
23 ment say aye.

24 (Chorus of ayes.)

25 The Chairman. Opposed, no.

(Chorus of noes.)

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The Chairman. The ayes appear to have it.
Senator Ribicoff. I ask for a roll call.
The Chairman. Call the roll.
Mr. Stern. Mr. Talmadge, Mr. Ribicoff?
Senator Ribicoff. No.
Mr. Stern. Mr. Byrd?
Senator Byrd. Aye.
Mr. Stern. Mr. Nelson, Mr. Gravel, Mr. Bentsen?
Senator Bentsen. Aye.
Mr. Stern. Mr. Matsunaga?
Senator Matsunaga. Aye.
Mr. Stern. Mr. Moynihan?
Senator Ribicoff. No by proxy.
Mr. Stern. Mr. Baucus, Mr. Boren?
Senator Boren. Aye.
Mr. Stern. Mr. Bradley?
Senator Bradley. No.
Mr. Stern. Mr. Dole?
Senator Dole. Aye.
Mr. Stern. Mr. Packwood, Mr. Roth, Mr. Danforth?
Senator Danforth. Aye.
Mr. Stern. Mr. Chafee?
Senator Chafee. Aye.
Mr. Stern. Mr. Heinz, Mr. Wallop, Mr. Durenberger?
Senator Durenberger. Aye.

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1 Mr. Stern. Mr. Chairman?

2 The Chairman. Aye.

3 Senator Ribicoff. I have Mr. Baucus' proxy. No.

4 Mr. Stern. Mr. Baucus, no.

5 The Chairman. We have nine ayes and four nays. We will let
6 Messrs. Talmadge, Nelson, Gravel, Packwood, Roth, Heinz and
7 Wallop record themselves.

8 If there are no further amendments, all in favor of reporting
9 it say aye.

10 (Chorus of ayes.)

11 The Chairman. Opposed, no.

12 (No response.)

13 The Chairman. The ayes have it. Let us go to the next item.

14 Mr. Stern. Yes, sir. The next item is the miscellaneous
15 trade and tariff matters.

16 Senator Heinz. Mr. Chairman, may I speak out of order for
17 just a second?

18 The Chairman. Yes.

19 Senator Heinz. Just to thank my colleagues, particularly
20 Senator Boren and Senator Bradley, and Senator Chafee, for having
21 moved expeditiously on H.R. 4007. I want to thank Senator Boren
22 particularly for having called up the Heinz Amendment on page 5 of
23 the committee handout. I want to thank all Senators for their help.

24 This matter is extremely important to a number of States,
25 including Pennsylvania, but also New Jersey and Rhode Island, and

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1 a number of States. I had asked Senator Born if he could delay
2 this. He unfortunately has a speaking engagement very shortly, I
3 know he has to leave. I had myself trapped in one. Obviously, the
4 Chairman of the committee always - and quite correctly - gets the
5 first call. So I wanted to thank all my colleagues, particularly
6 Senator Born, for his assistance in proceeding with my interest in
7 mind. I am most grateful to him.

8 The Chairman. Now, let us talk about this item.

9 Mr. Foster. Mr. Chairman, this is Staff Document E, mis-
10 cellaneous tariff and trade matters.

11 The first matter is H.R. 3122. That is a miscellaneous tariff
12 bill the committee reported out last December. The first decision
13 for the committee is that with the lapse of time the tariff
14 schedules have changed and a number of other matters have occurred.
15 So, we need to make a few minor amendments to the bill. They are
16 listed there under "Additional actions recommended" on page 1 of
17 Staff Document E.

18 The Chairman. I am trying to find that. That is Staff
19 Document E?

20 Mr. Foster. Yes. Under "Additional actions recommended",
21 these are very small matters that are basically designed to carry
22 out the original intention of the committee in reporting 3122.

23 The Chairman. I understood that Senator Packwood wanted to
24 raise a matter about the chipper knives, and I favor that also.

25 Mr. Foster. That is on page 2 of Staff Document E. Would you

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like to do that right now?

The Chairman. Well, start with the first one.

Mr. Stern. With respect to H.R. 3122, Mr. Chairman, we are talking about modifications of a bill that is already on the calendar. That is the only tariff bill on the calendar. Other than that, it would be a matter of what you are going to report out. But with respect to that one bill described on the first page, that is already on the calendar.

Senator Bentsen. If I might, Mr. Chairman. Let me ask you if we have included in here the suspension of duty on zinc. I understand there is no objection to it.

Mr. Foster. Presently, in 3122 there is a provision to suspend the duty on zinc ores until July 1, 1981. I understand that you are proposing an additional suspension.

Senator Bentsen. To 1984.

Mr. Foster. To July 1, 1984. That is not objected to by the Administration, we are not aware of any objections. It would be consistent with the policy underlying the present suspension.

Senator Bentsen. I have a letter from the Trade Representative also approving it.

The Chairman. Without objection it is agreed to.

Senator Ribicoff has something.

Senator Ribicoff. Yes, I do, Mr. Chairman, that is Section 14. There is a widespread domestic cottage industry producing miniatures. I think we should strike Section 14 of H.R. 3122.

1 American craftsmen produce those miniatures in every State of the
2 Union.

3 When we approved Section 14 the Committee was told that
4 United States production of miniatures is insignificant. We now
5 know that there is really a highly diversified industry, providing
6 full and part-time employment to several thousand men and women.
7 They are very small business, really cottage businesses. They
8 provide income to many Americans, especially retired and aged
9 people.

10 Now, we had the ITC look into the extent of this industry and
11 we found domestic production between \$6 and \$14 million. What is
12 happening, mostly in Asia, Taiwan and Korea, they have been
13 copying American design, much inferior, underselling the American
14 market by 50 percent; taking away the livelihood of small people
15 working in their garages or their basements. I would hope that
16 the committee would strike Section 14 of H.R. 3122.

17 Senator Heinz. Mr. Chairman, may I be heard on Senator
18 Ribicoff's motion?

19 The Chairman. Yes.

20 Senator Heinz. I listened carefully to my good friend from
21 Connecticut and I know and respect his understanding of these
22 matters.

23 I am inclined, however, to disagree with his analysis because
24 if I agreed with his analysis I would accept his conclusion. But
25 the analysis that Senator Ribicoff gives us is that there are

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1 imports coming in based on American design. That is certainly
2 true. But I think we have to go a little deeper than that.

3 There are two sets of imports. One is imports that are made
4 based upon copyrighted American designs and they are ordered by
5 American manufacturers.

6 The second is a lot of imports that are coming in that are
7 copied illegally from American designs and then exported by people
8 who are essentially copying our designs illegally, pirating these
9 designs. That is the real problem that we have to contend with
10 and that many people in this country are concerned about.

11 It seems to me that the provision Senator Ribicoff seeks to
12 strike does not make that situation better or worse. Those very,
13 very cheap imports are going to continue to come in here no matter
14 what we do because they are so cheap, whether there is a 17.5
15 percent duty or an eight-percent duty.

16 So, another case can be made that the so-called cheaper
17 imports - legal or illegal - help the domestic craftsmen who
18 sell their designs on a copyrighted basis, help them by getting
19 people started in the hobby of dollhouse furniture, and then that
20 those people eventually trade up to more expensive, better-made
21 American-made products.

22 Indeed, a number of U.S. craftsmen, including the designer
23 of a piece the opposition witness showed at the hearing, send their
24 products to places like Taiwan to be copied and mass produced
25 because we lack as yet the capability to do that kind of mass

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1 production in this country. So, far from pirating in those
2 instances, this is creating one's one imports deliberately. Finall
3 most of the domestic craftsmen that, as I understand it, have some
4 objection to this provision, as I understand it, they are
5 individuals making pieces of furniture and they do so primarily as
6 a hobby.

7 Senator Ribicoff. If the Senator would yield:

8 Senator Heinz. I will yield to the Senator in a second, if I
9 may.

10 Many, as I understand it, are part time. It seems to this
11 Senator that there is no way that that group, to the extent that
12 they do sell their pieces, could conceivably fill the substantial
13 and growing demand for imports of the kind that we are talking
14 about.

15 So, I am just wondering if the Senator is convinced that there
16 is ample, shall we say, U.S. domestic capacity there to fulfill
17 this need because if there really is not enough domestic production
18 to fill this need, what the Senator suggests would be de facto
19 inflationary.

20 Senator Ribicoff. Well, let me put it this way, we are
21 dealing with a few million dollars very important to artisans. I
22 think one of the great tragedies in this country is the destruction
23 of artisans and people who go beyond the hobby who are experts in
24 wood-working, and metal-working, who have a small lathe; people
25 who work with tools by hand; mostly retired, they are teachers, they

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1 are elderly people. They have been able to build up a livelihood
2 for themselves.

3 To give you an indication, Mr. Chairman, this is a tool set
4 that people working in their cellars, in their garages make. It
5 is of high quality.

6 Now, what happens, they go to Korea and they copy these
7 things. They are much inferior, they sell them for half the price
8 and undercut the people who work by hand. We are really in the
9 process of destroying a group of artisans who make a living. They
10 amount to so few, and we are destroying them. They cannot compete
11 with the mass production, with cheap labor in Taiwan and Korea.

12 I would hope that we would protect the handful of artisans
13 who are in every State, in all of our States. We ought to
14 preserve instead of destroying the American artisan.

15 Senator Heinz. Would the Senator yield for a question,
16 please?

17 Senator Ribicoff. Please.

18 Senator Heinz. I think I would be hard put to disagree with
19 you if I felt that the legislation that we have here would
20 jeopardize those artisans either way, if this provision was
21 retained or, with your motion, stricken.

22 My question is, do we really believe that the difference in
23 the duty rate, given the low price of these imports, is going to
24 make a difference to our craftsmen? Is not the price of their
25 products so much higher than the price of the imports that it is

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1 really not going to make any difference to their livelihood or
2 survival. that they continue to be subjected to import competition?

3 Senator Ribicoff. When that first came before the sub-
4 committee, Mr. Chairman, it was pro forma. We thought there was
5 nothing to it. But after we had passed it, we suddenly - the
6 committee and myself - started to get letters from all over the
7 country from, really, not business; one or two people, a husband
8 and wife working in their cellar or garage, and they asked for a
9 hearing. We started to look into it. We asked the ITC to look
10 into it, and instead of a couple of hundred thousand dollars
11 involved we found it was anywhere from \$6 to \$14 million and
12 involved thousands of people who were making a living, or supple-
13 menting a living. They were sending their children to college
14 because of their basic skill.

15 They came to testify and they brought many samples of doll
16 houses, cabins, tools. The differential in the quality between the
17 American artisan and the foreign product was astronomical in
18 quality. These people could not compete with South Korea.

19 So, it is not a question of a big business competing with
20 another big business, but it is the Koreans, and the Taiwanese,
21 and other Asiatics making inferior products, selling them at half
22 the price in the stores and in the marketplace and in exhibitions.

23 I never realized the size of this hobby. Here is a catalog
24 devoted to the types of things we are talking about, miniature
25 clocks, miniature tools, miniature doll houses. I would hope we

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1 would not destroy the remaining handful of artisans we have in
2 this country, Mr. Chairman.

3 So, we had another hearing on it, and we had both sides come
4 to testify, and we spent a morning on it. It is a question of
5 complete sympathy for these small Americans who have these skills.
6 I do not want to destroy what we have in the artisans in America.

7 The Chairman. Let us vote on it. All in favor of the
8 Ribicoff amendment say aye.

9 (Chorus of ayes.)

10 The Chairman. Opposed, no.

11 Senator Heinz. No.

12 The Chairman. The ayes have it.

13 Senator Byrd. Mr. Chairman, I have a suggestion I would like
14 to throw out as an amendment, a possible amendment, to one of these
15 bills. I assume this might be as good a one as any. There may be
16 good reasons why what I am going to suggest should not be done,
17 but let me throw it out anyway.

18 That is an amendment to prohibit the importation of Soviet
19 automobiles. Now, when Russia invaded Afghanistan, President
20 Carter said that was the greatest danger to world peace since
21 World War II. As a result of that invasion the President embargoed
22 the United States participating in the Olympics and urged other
23 countries to follow our example.

24 He also put an embargo on grain exports to Russia. Now, I am
25 wondering whether we are wise in permitting the importation of

1 Russian automobiles into the United States. Why should we not
2 take action against permitting the importation of Russian auto-
3 mobiles as a result of the Afghanistan invasion, and also because
4 of the heavy unemployment in the automobile industry in our country.

5 All of us know that those automobiles in Russia are made with
6 forced labor and in competing can undersell American automobiles.
7 So, I throw out as a suggestion to the committee that it might want
8 to consider an amendment to prohibit the importation of Soviet
9 automobiles.

10 The Chairman. Is there any discussion?

11 Senator Chafee. Is the proposal to forbid importation of
12 Soviet automobiles?

13 Senator Byrd. Yes.

14 Senator Matsunaga. How many automobiles do we import today
15 from Russia?

16 Senator Byrd. I do not know the number, but I am told that
17 it is increasing in number. I have a letter from a citizen of
18 Roanoke, Virginia who found a Russian-build Laga 1500, an automobile
19 built in Russia, in the City of Roanoke. I understand that dealer-
20 ships have been set up in various parts of the country to handle
21 the importation. I really do not know the figures.

22 Senator Heinz. Could I make a few inquiries?

23 The Chairman. Yes.

24 Senator Heinz. First of all, it may be a good idea to do what
25 the Senator suggests. But why should we limit it to automobiles?

1 Why should we not ban the importation of Soviet steel and, indeed,
2 in any other category where we have unemployment?

3 Senator Byrd. That is a possibility. I just happened to pick
4 out the automobile industry because of its heavy unemployment.

5 Senator Heinz. What about the other Warsaw Pact nations that
6 are closely tied, what about East Germany, or Hungary, Romania?

7 Senator Byrd. I am just throwing out the thought as to whether
8 the committee wanted to take any action in regard to the Russian-
9 built automobiles. There may be good reasons why the committee
10 would not want to do it, I do not press it.

11 The Chairman. Let me ask Senator Ribicoff, what are your
12 thoughts about that?

13 Senator Ribicoff. I was out.

14 The Chairman. The Senator is suggesting that we amend this
15 bill to prohibit the importation of Russian-made automobiles.

16 Senator Ribicoff. I am not aware that the importation of
17 Russian-made automobiles is a threat to the automobile industry.
18 The automobile industry has problems, but I do not think it is the
19 Russian-made automobiles. I have no facts on it.

20 Mr. Foster. It is our understanding, Senator, that they are
21 talking about importing approximately 1,000 vehicles and perhaps
22 escalating that to 5,000 vehicles over the next several years. These
23 are basically what is called the Lada, which is a Soviet-made
24 Fiat. That is what we are discussing.

25 Senator Ribicoff. I think we have a lot of problems with

1 automobiles, Mr. Chairman, but I do not think there is any threat
2 from the Russian automobiles.

3 The Chairman. What side of the street do Russian automobiles
4 drive on?

5 (Laughter.)

6 The Chairman. They drive on the right-hand side, do they not?

7 Mr. Foster. That is my understanding.

8 Senator Byrd. I am not going to press the issue.

9 The Chairman. They just turn around in the middle of the
10 block, but they do drive on the right-hand side of the street.

11 Senator Byrd. I do not press the issue if there is a feeling
12 the committee does not want to go that route. I think it is
13 something that is just getting started in our country and we might
14 take a look as to whether we really want to permit the importation
15 of those Russian automobiles.

16 The Chairman. I think we ought to at least take enough time
17 to let the Special Trade Representative and the Administration
18 send up a recommendation on it, see what they suggest.

19 Senator Byrd. That suits me.

20 Senator Heinz. Mr. Chairman, I think Senator Byrd has a point,
21 I really do. Here we are, we have this grain embargo which is
22 penalizing Americans, the Carter grain embargo. What we are doing
23 is, we are asking our farmers to take it on the chin for foreign
24 policy reasons - regardless of whether you are for the farmers or
25 not, there were legitimate policy reasons. But the nub of it is

1 that our people suffer a bit, or a lot, depending on the situation.

2 Here Senator Byrd has raised the other side of the issue which
3 is, why should we allow the Soviets access willy-nilly to our
4 markets at a time when we are telling our farmers they cannot sell
5 to the Soviet Union.

6 So, I think this is a very important issue that I suspect we
7 ought to have some hearings on and get into because I am not sure
8 that we want to just restrict the issue to one classification of
9 items. I think it is a very serious issue and we should deal with
10 it.

11 The Chairman. I suggest we do that.

12 Could I just bring up this matter about the chipper knives?
13 As I understand, Senator Heinz and Senator Packwood have arrived
14 at a compromise about the chipper knife business. Would the staff
15 just explain that to us because I think that both Senator Packwood's
16 State and my State would like us to take care of the chipper
17 knives. Would you mind explaining that to us?

18 Mr. Foster. Yes, sir. H.R. 2535 is the bill. As originally
19 introduced it would have provided for duty-free treatment for
20 chipper-knife steel, which is steel used to make these knives
21 which grind up logs for pulp and other uses.

22 This was objected to by U.S. steel producers who felt that
23 they could produce the product. There was a dispute as to whether
24 they could produce the product in adequate amounts and of adequate
25 quality. As a result some discussions took place and a compromise

1 proposal was arrived at. Senator Packwood would propose that
2 instead of the present language of the bill, that the bill be
3 amended so that from the date of enactment through September 30
4 of 1982 the duty on the chipper-knife steel covered by the bill
5 would become 4.6 percent ad valorem. This would be approximately
6 the same duty that is applied to the imported finished chipper
7 knife itself and so would make U.S. chipper-knife producers more
8 competitive with the imported chipper knife.

9 It would be in effect for approximately two years, which was
10 the original period of the suspension in the bill. At the end of
11 that two-year period, unless Congress acted on the matter again,
12 the duty would snap back to its former level, higher than the 4.6
13 percent; it would be to the level of approximately ten percent.

14 So, it is a temporary duty reduction to eliminate this anomaly
15 between the duty on the raw material, which is higher than the
16 duty on the finished product, which is usually backward as to what
17 a country likes to accomplish.

18 The Chairman. That is the proposed compromise, and if there
19 is no objection we could agree to this. Without objection, we are
20 agreed.

21 Senator Heinz. Mr. Chairman, I would like to bring up H.R. 4309
22 Mr. Chairman, the committee has already acted on H.R. 4309, which
23 is a bill to reclassify small diameter steel wire that is cut to
24 length, rather than coiled, as "cold finished steel bar" and rise
25 the duties on this product over a period of two years. Along with

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1 a reduction in duties on wire as compensation for violation of U.S.
2 GATT obligations. We approved that in this committee on June 23,
3 1980 but we did not order the bill reported.

4 The bill needs to be ordered reported with a decision made as
5 to whether the substance of other bills should be added to it, or
6 vice versa.

7 I would like, Mr. Chairman, if we could, to add this to
8 H.R. 3122 which is the zinc suspension we dealt with a minute ago.

9 The Chairman. What problem, if any, does that present to us?

10 Mr. Foster. That would be fine. That would give you an
11 additional vehicle at such time as you need it.

12 The Chairman. All right, without objection, it is agreed to.

13 Could you explain this matter about the deep-water ports? I
14 would like to get that out of committee, if I could.

15 Mr. Foster. In the Deep-Water Ports Act of 1974 the Congress
16 provided that the customs laws of the United States would not apply
17 to the deep-water ports themselves, which are beyond the territorial
18 limits of the United States.

19 In using the phrase "Customs Law" the Congress intended it
20 would apply not only to the application of duties and other normal
21 customs matters, but also to the other provisions of Title 19 which
22 relate to navigation and the entry and clearance of ships.

23 However, as a technical matter the Customs Service has
24 interpreted that phrase used in the '74 Act, "Customs Laws" in a
25 much narrower sense, so that they feel legally compelled to go

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1 out to these deep-water ports, which can be 20 miles offshore
2 and enter, and clear each tanker as it comes in. This is very
3 timeconsuming, it is extremely risky in storms and that sort of
4 thing. There has to be a transfer of personnel between ships,
5 the manifest checked, and this sort of thing.

6 The Customs Service does not want to have to do this, but they
7 feel compelled to do it if the law remains the same.

8 Earlier this year the House, as part of the authorization
9 bill for the deep-water ports authority, went ahead and made an
10 amendment that would have clarified this matter. However, there
11 is a disagreement between the House and the Senate as to whether
12 an authorization is needed. So, it does not look like the Senate
13 will act on this matter.

14 In order to take care of this technical emendment what is
15 being proposed is an amendment to Title 19, which is within the
16 committee's jurisdiction, that would simply clarify that when we
17 use the phrase "Customs Law" in the Deep-Water Ports Act we meant
18 to also exclude from Customs' authority these navigation laws.

19 Now, all the other navigation laws that are in Title 46 would
20 still apply to these deep-water ports acts. It is nothing except
21 an amendment to take care of this technical problem.

22 The Chairman. In Louisiana we had the first deep-water port.
23 Those people would bring a ship up. On the Outer Continental
24 Shelf it gets deep at the average of about one foot per mile. So,
25 to get into that kind of water you have to be way out. You are

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1 far beyond the sight of land out there. So, I understand there is
2 no objection to it, it is needed to clarify the law.

3 Mr. Foster. Yes, it passed the House and we are not aware of
4 any objection in the Senate or from the Administration on it. It
5 is purely a technical matter to clarify a problem that the Customs
6 Service feels they need clarified.

7 The Chairman. Without objection, it is agreed to.

8 Mr. Stern. Was that also an amendment to H.R. 3122, Mr.
9 Chairman?

10 The Chairman. Yes, sir.

11 Mr. Foster. The next item on this agenda here is at the top
12 of page 3, it is H.R. 7139. This is a matter relating to wrapper
13 tobacco, and it is my understanding that Senator Talmadge would
14 request that we put this off until he can be present.

15 The next item is H.R. 6089, which relates to the duty on
16 unwrought lead. What happened is that during the MTN negotiations
17 they converted a specific duty - so many cents per pound - into an
18 ad valorem duty. The effect of this was inadvertently to double
19 or triple the actual incident of the duty on unwrought lead.

20 What this bill would do would be until June 30, 1983 to pro-
21 vide for a duty of three percent ad valorem but no less than 1.0625
22 cents per pound, which was the old specific duty. It would just
23 correct this inadvertent problem that arose as a result of the
24 conversion. There was no intention in the MTN to raise the duty on
25 unwrought lead, and this would correct that.

1 There was some controversy associated with it, but the
2 domestic producers and users of lead have arrived at a compromise
3 and the compromise is H.R. 6089 as it is in front of the committee.

4 The Chairman. Any objection? Without objection, it is agreed
5 to.

6 Mr. Foster. The next matter is H.R. 6571. This is a bill
7 relating to tuna purse seine nets and netting. What happened is
8 that the tuna fleet used to use the Panama Canal Zone to repair
9 and purchase nets. When this was in existence it was considered
10 part of the territory of the United States and was not subject,
11 repairs to these nets and the purchase of these nets, to a duty.

12 As a result of the Panama Canal Zone Act this is now the
13 territory of the Republic of Panama and it is foreign territory.
14 So, as a result, continuing these acts will subject the purchaser
15 of these tuna seine nets and netting to a duty. This provision
16 would simply suspend this duty until December 31, 1981.

17 It is agreed to by both the net producers in the United
18 States as well as the tuna fleet. It would allow the net producers
19 time to gear up to supply these nets to the tuna fleet. We received
20 no objections from any source on it.

21 The Chairman. Without objection, it is agreed to.

22 Senator Chafee. Mr. Chairman?

23 The Chairman. Yes, sir.

24 Senator Chafee. Could I ask what your schedule is? We have
25 quite a list of these things if we go through them one by one.

1 The Chairman. As far as I am concerned we can stop now.

2 Mr. Stern. There are just three more tariff items, if you
3 want to do those and break at that point.

4 The Chairman. Let us go through the tariff items.

5 Mr. Foster. Most of them are not objected to and I can leave
6 the ones that have an objection, or somebody has raised a problem
7 with, if you would like. We can move through them very quickly.

8 The Chairman. Cover those three tariff items, then.

9 Mr. Foster. The next one is H.R. 6975, which would eliminate
10 permanently the MFN duties on hardwood veneers. It has not been
11 objected to. It is supported by the veneer industry and there
12 are simply no problems with it. It is supported by the Admini-
13 stration.

14 The Chairman. Any objection? Without objection, agreed.

15 Mr. Foster. The next bill is H.R. 5047, which is a mis-
16 cellaneous tariff measure. It has 16 substantive provisions.
17 Sections 105 and 301 are matters the committee has already favorably
18 reported.

19 The next section is Section 102, which would provide for the
20 insular possessions. It would preserve the present status of
21 duty-free treatment for the insular possessions with respect to
22 products which they import and incorporate the products into their
23 products within possession, and are now duty free. It is not
24 objected to by anyone. The Administration has no objections.

25 The Chairman. Without objection, agreed to.

22

1 Mr. Foster. Section 103 would permanently reduce to zero the
2 MFN duties on yarns of silk. These are not produced domestically
3 and simply, the duty is an added cost to consumers.

4 The Chairman. Without objection, agreed. You have 16 items
5 on that bill?

6 Mr. Foster. Yes. This came over from the House, the 16
7 separate items.

8 Senator Heinz. Mr. Chairman, can we put this off until
9 tomorrow?

10 The Chairman. I suggest that we pass this one over. Do you
11 have something else?

12 Mr. Foster. There are only about two provisions that have
13 any objection to them. Would you like to just go to those because
14 these are not controversial, on 5047.

15 The Chairman. All right, just take the ones that are not
16 controversial.

17 Mr. Foster. The only area where there is any controversy
18 is on Section 201, which relates to drawback of duties.

19 The Chairman. Just leave that one out, take up the ones that
20 are not controversial.

21 Mr. Foster. The last item, then, is H.R. 7942, which relates
22 to U.S. implementation of the Protocol.

23 Senator Heinz. Mr. Chairman, can we come back to this
24 tomorrow? I am just trying to figure out for time planning
25 purposes how we are going to deal with the remaining provisions

1 of 5047. I have an amendment to 5047.

2 The Chairman. Why not just break now and come back tomorrow,
3 and look at what we have left.

4 Senator Byrd. May I ask this question, did we do anything
5 with 202?

6 Mr. Foster. Not yet, Senator; we have not arrived there yet.

7 The Chairman. The committee stands adjourned.

8 (Whereupon, at 12:35 p.m. the committee adjourned, to
9 reconvene at 10 a.m., Wednesday, September 17, 1980.)

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