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Before the

COMMITTEE ON FINANCE

UNITED STATES SENATE

EXECUTIVE SESSION

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1 EXECUTIVE SESSION

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3 TUESDAY, MAY 24, 1983

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5 United States Senate,

6 Committee on Finance,

7 Washington, D.C.

8 The Committee met, pursuant to notice, at 10:55 a.m., in
9 Room SD-215, Dirksen Senate Office Building, the Honorable
10 Robert Dole [Chairman of the Committee] presiding.

11 Present: Senators Dole, Packwood, Danforth, Chafee,
12 Heinz, Wallop, Durenberger, Symms, Grassley, Long, Bentsen,
13 Moynihan, Baucus, Boren, Bradley, Mitchell, and Pryor.

14 The Chairman: The first item on the agenda is the
15 continuation of the executive session on the Educational
16 Opportunity and Equity Act of 1983. To my mind, I think we
17 have had a good and fair debate on many of the issues
18 involved in tuition tax credits. It is my hope that we might
19 approve the legislation, not report the legislation as a
20 separate S numbered bill, or not attempt to add it as an
21 amendment to any other matter pending before the Committee.
22 I understand that would be satisfactory to the Senator from
23 Oklahoma. I do not see Senator Boren, but --

24 Senator Moynihan: I am sorry, Mr. Chairman. Would you
25 repeat that? We would not what?

1 The Chairman: The Senator from Oklahoma brought it up
2 earlier that he would have us approve this legislation if we
3 would not have it reported as a separate S numbered bill or
4 if it was not offered as an amendment to the debt limit or
5 anything else that might be reported out of the Committee
6 today. I have given him that assurance. It is a very
7 controversial bill. It is going to be debated extensively on
8 the Senate floor, but I do believe that the Committee should
9 at least register its approval today, and then we will
10 determine what the next best procedure might be.

11 Senator Chafee: Mr. Chairman, what is the Chairman's
12 intention if it is not going to go as a separate bill, where
13 it comes out on the floor, and then is debated? Is it your
14 intention to tie it in with some large tax bill or revenue
15 measure? I would be interested what your intention is.

16 The Chairman: I would be perfectly willing to report it
17 out as a separate bill if that were satisfactory. I know the
18 Senators who feel most strongly against the proposal. It is
19 a revenue raising bill. It would be subject to objections
20 when it reached the House, but what I suggested was that I
21 would not and I would oppose any efforts to put it on the
22 debt ceiling or any efforts to offer it as an amendment to
23 the repeal or on withholding or whatever modification may be
24 arrived at.

25 Senator Boren: Mr. Chairman, I guess the concern is, you

1 and I have discussed, and I know Senator Chafee shares this,
2 is that we would not want to have it put on a bill that would
3 be a bill of major importance in its own right, so that if we
4 were put in a position on the floor of attempting -- I think
5 it is well known Senator Chafee and I intend to attempt to
6 delay it on the floor if it reaches the floor. We would not
7 want to be put in a position of, say, having that confused
8 with another issue of major importance in its own right, so
9 that we are put in the posture of, say, delaying another
10 major legislative proposal that we might happen to favor in
11 order to hold this one back.

12 So, I would not have any problem whether it came out free
13 standing or whether it was tacked onto something, as long as
14 the something it was tacked onto was something of very import
15 in its own right, just kind of a vehicle type thing.

16 The Chairman: Could I ask, we can report it as a free
17 standing measure. Is that correct?

18 Mr. De Arment: We could report it as an S numbered bill.

19 The Chairman: We could approve it and not report it at
20 all.

21 Mr. De Arment: That is right. We could approve it and
22 hold it in the Committee.

23 The Chairman: Is there any objection to reporting it as
24 a free standing measure? Do you want a roll call vote on
25 this? The Clerk will call the roll.

1 Senator Chafee: Well, what do you mean? We are not
2 reporting it yet. We have got some statements, and we are
3 not through this yet, Mr. Chairman. I have got some points I
4 want to raise here.

5 The Chairman: Well, if it is going to take a while,
6 maybe we could pass over Number 2 and come back to it.

7 Senator Chafee: I have got all day, Mr. Chairman. I am
8 prepared to take this up right now, but I do not want to rush
9 into a roll call vote right at this time.

10 The Chairman: I was under the understanding that if we
11 agreed not to try to amend the debt ceiling or some other
12 area, that we might be able to vote to report the bill as a
13 free standing measure.

14 Senator Chafee: I am prepared to do that, but I have got
15 some comments that I would like to make on this subject. We
16 have spent considerable time here on the Ambassador, in
17 considering him, and I do not see why we have got to rush
18 into this. I have got some comments that I would like to
19 make. It is not going to take long, but I am not prepared to
20 vote yet.

21 The Chairman: Okay.

22 Senator Chafee: Well, Mr. Chairman, the Finance
23 Committee, as you noted, has spent a good deal of time
24 discussing this tuition tax credit proposal, and we have had
25 a full day of hearings, and spent three days so far, three

1 and a half days on the markup. I have been opposed to it, as
2 you know, right from the beginning. I have listened to the
3 arguments, and the discussion has convinced me more than ever
4 that this legislation is in the best interest of our country.

5 Now, Mr. Chairman, it is very ironic that at the very
6 same time we started the hearings on this measure was the day
7 that the report came out, A Nation at Risk. Now, here is a
8 prestigious report directed, assembled at the request of the
9 Commissioner of Education, the Secretary of Education, and
10 there is not one word in here that deals with tuition tax
11 credits. It deals with returning to basics. It deals with
12 standards. It deals with the existing school day. It deals
13 with teachers. It touches every aspect of elementary and
14 secondary education, and not one suggestion that the
15 requirements of this nation in order to improve the education
16 of our young people means that we have to go into federal
17 subsidization of private schools, and I do not think we can
18 overlook that, Mr. Chairman.

19 Now, the language of this legislation says that its
20 purpose is to enhance quality of educational opportunity,
21 diversity and choice for Americans. The proponents have
22 argued that we need tuition tax credits in order to avail
23 parents of the freedom to select their children's schools.

24 Now, can we have silence, Mr. Chairman? If somebody
25 wants to conduct a conversation, if they could take it

1 elsewhere.

2 Now, Mr. Chairman, the proponents have argued that we
3 need this in order to avail parents of the freedom to select
4 their children's schools. It is said that we need tuition
5 tax credits in order to force competition between public and
6 private schools, and to improve the quality of education.
7 Now, I believe strongly, Mr. Chairman, that parents have a
8 right to send their children to private schools, but it has
9 never been, nor should it be the federal government's
10 responsibility to subsidize that freedom to choose, that
11 freedom to choose with revenues from the taxpayers.

12 This diversion of funds, federal funds will profoundly
13 weaken the public schools which form the backbone of our
14 public education system.

15 Now, Mr. Chairman, we had the Secretary of Education up
16 here, Mr. Bell. He could not produce one shred of evidence
17 that this so-called competition that we are seeking under
18 this legislation improves educational quality. As you
19 remember, I specifically asked him that question, and so did
20 the senior Senator from New York.

21 Now, Mr. Chairman, furthermore, there is not one shred of
22 evidence that the private schools of this nation are
23 endangered in any way. As a matter of fact, the statistics
24 from the National Center for Educational Statistics show that
25 in the last two years the private schools have increased by 9

1 percent.

2 Now, let us not go for the argument that that is all the
3 white flight schools in the south. Not at all, Mr.
4 Chairman. In New England, they have increased. In the south
5 Atlantic they have increased. In the west south central, in
6 the east north central, in the west north central, and in the
7 Pacific, as a matter of fact, in every section of the country
8 except the mid-Atlantic and the mountain states, in the east
9 south central, wherever that is, they have not increased.

10 [General laughter.]

11 Senator Chafee: So that in seven of the ten categories
12 in which this nation is divided, the private schools have
13 increased. So, there is no need for this legislation as far
14 as saving the public schools.

15 Now, furthermore, Mr. Chairman, this legislation makes a
16 mockery of the purposes stated in the bill. I must say I
17 think we should call in the FTC for falsehood in labeling.
18 Any time you have a bill like this -- What a wonderful name,
19 the Educational Opportunity and Equity Act of 1983. Who can
20 be against that? It is false labeling. The FTC should sound
21 the alarm.

22 How can there be an equality of education opportunity in
23 a program whose obvious result is the establishment of two
24 separate and vastly unequal educational systems? How can
25 there be true competition between players when we do not even

1 start on a level playing field?

2 Now, these tax credits, Mr. Chairman --

3 Senator Long: Would the Senator yield on that point?

4 Senator Chafee: Yes.

5 Senator Long: I would, based on what the Senator said
6 about the title of the bill, that the Senator would join me
7 in something I have been wanting to introduce for a long time
8 anyway, a proposed rule change to require that every bill
9 have a neutral title. I am sort of tired of voting on bills,
10 the Motherhood Act of 1983, and things like that.

11 Senator Chafee: I am for that.

12 Senator Long: Neutral titles. Neutral titles.

13 Senator Chafee: That is right. Described a little bit,
14 but not the Educational Opportunity and Equity Act. The
15 Educational Inequity Act, it should be, if we had it
16 correctly labeled.

17 Now, Mr. Chairman, my principal objection to this
18 legislation is, it is going to stimulate the so-called
19 skimming process by which our brightest and most highly
20 motivated students will be given an incentive to desert the
21 public school system. It is these students that our public
22 schools most need. They provide the balance. They bolster
23 the competition within that public school. And they are the
24 ones whose families provide the support for the public school
25 system. It is the interested parents that come out and

1 support the system.

2 This bill does little to force the equality of
3 opportunity, but does promote choice. It promotes a choice
4 for the private schools to accept or reject the students they
5 wish. Now, mind you, Mr. Chairman, the public schools do not
6 have this choice. They do not have a choice to take or not
7 to take some young student.

8 Now, repeated attempts have been made during the markup
9 of this legislation to make the bill foster true equity by
10 extending to the private schools, the schools which this bill
11 subsidizes, the same responsibility which government has
12 conferred upon the public schools.

13 Now, we have done it to a modest degree in the racial
14 part, so there is no question it can be done. One of the
15 wildest things we had up here was when Mr. Wilkinson's boss,
16 what is his name, that assistant attorney general, came up
17 here and said he was not sure that we can impose on the
18 private schools a requirement that they accept youngsters
19 regardless of religion. It is all right that they cannot
20 discriminate on the basis of race, but it is perfectly
21 acceptable for us to provide federal funds, and we are not
22 entitled -- he was not sure that we are entitled to impose a
23 requirement of no discrimination based on religion.

24 Now, we tried a series of amendments. Public schools are
25 open to all youngsters based on regardless of religion. We

1 attempted to have an amendment on that subject that the
2 private schools be subject to the same, and that was
3 rejected, and so private schools are not required to take
4 youngsters based on regardless of religion.

5 Public schools must provide services to accommodate the
6 handicapped children, and this Committee rejected a proposal
7 to make the private schools do the same. They are not
8 required to do that under this legislation. No requirement
9 at all under this legislation regarding the handicapped.

10 Public schools are directed to provide bilingual
11 education and take the youngsters regardless of their
12 literacy or their proficiency in English. We tried an
13 amendment on that, and it was rejected by this Committee, and
14 so private schools are not subject to that.

15 Public schools have to abide by compulsory attendance,
16 teacher certification, accreditation, curriculum, and
17 graduation requirements. Private schools are not. Public
18 schools have no intent standard to hide behind in racial
19 discrimination cases. Mr. Wilkinson said we cannot get into
20 that. So private schools can go behind that intent
21 requirement.

22 One after another, Mr. Chairman, in this Committee,
23 amendments were made to make this bill apply more equally to
24 the private schools, and those have been rejected. So, Mr.
25 Chairman, what we are left with is the fact that we are now

1 fostering two very different school systems in the United
2 States, one for the bright, the able, the wealthy, the
3 non-handicapped, the well disciplined, and the language
4 proficient.

5 On the other hand, in the public schools, that is a
6 system for the poor and for the handicapped, for the
7 ill-disciplined, for the immigrants, every youngster with a
8 problem. Put him in the public schools, because there is no
9 requirement that the private schools accept them.

10 I think this has deeply disturbing consequences for the
11 future of education in our country. It is all well and good
12 for the senior Senator from New York to dismiss this and to
13 say, oh, we are reading too much into this, but not at all.

14 Now, furthermore, Mr. Chairman, this legislation is wrong
15 from the economic point of view. We have been extremely
16 concerned here on the Finance Committee with the need to
17 control spending and to raise taxes in order to contain the
18 massive deficit facing our nation, currently estimated at a
19 baseline figure of \$200 billion. We all know there can never
20 be a true recovery until this deficit is at least reduced.

21 The Administration estimates that this legislation will
22 cost more than \$2 billion over the next four years, and Mr.
23 Chairman, we all know that that is a modest estimate, if
24 there ever was one. The cost can go much higher. It is, to
25 me, Mr. Chairman, totally unacceptable to be embarking on a

1 new entitlement program. That is what it is. It is an
2 entitlement program at this time.

3 Now, Mr. Chairman, the proposal to make tax credits
4 available to the parents of children enrolled in private
5 schools is ill advised tax policy for the United States, and
6 it is ill advised educational policy which I believe, Mr.
7 Chairman, is going to cause very serious consequences to the
8 public schools of this nation. It is bad legislation, and
9 should not be reported by this Committee, and certainly
10 should not be passed on the floor of the Senate.

11 Senator Moynihan: Mr. Chairman.

12 The Chairman: Thank you, Senator Chafee.

13 Senator Moynihan?

14 Senator Moynihan: Mr. Chairman, we have had a civil and,
15 I hope, constructive debate on this matter, and I hope it
16 will continue so. I certainly would not characterize any
17 other members' speeches as simply dismissing concerns that
18 other members of this body have had. I have tried to respond
19 to concerns when they were voiced.

20 Now, as for the senior Senator from the state of New
21 York, I do not believe I have dismissed anybody's concerns.
22 I have tried to be very open and as constructive and
23 informative as I could be on a matter which I have not only
24 just come to. I have been at this matter for a quarter
25 century, and the fact that there is something called federal

1 aid to education, the Elementary and Secondary Education Act
2 of 1965, which was placed on Lyndon Johnson's desk on April
3 11, 1965, if I recall the date, because I was present at the
4 time, was put there as a consequence of years long
5 negotiation with which I was very much involved, and as I
6 have said before, it involves an agreement of all the school
7 systems and all the major educational bodies in this country
8 with the idea that the federal government for the first time
9 ever would enter the world of providing general aid to
10 education, to schools, and with the specific understanding
11 that these would include the non-public as well as the public
12 schools.

13 This was specific. This was explicit. This was the
14 reason the bill passed after 15 years of national debate. It
15 had been an issue, a very central issue, for 15 years, and
16 then it did not work out that way, and it seemed to me an
17 inequity was done, and I have been, as has my friend and
18 colleague from Oregon, we have been seeking to redress what
19 we have felt to be a wrong, not a huge wrong, but an
20 important one. It was by cooperating that we got the federal
21 government to make the moves that have happened, and we had
22 hoped to restore that sense of cooperation as against the
23 present situation in which a significant and honored and
24 respectable segment of American education feels it has been
25 dealt with unfairly.

1 And the idea to try to represent this as an effort to
2 create a dual school system, one for the privileged and the
3 other for the disadvantaged, one for the bright, the other
4 for the dim, one for the quick-witted and the other for the
5 slow-witted, is to distort our purposes, and that happens in
6 the case of debate, but I hope it would not be said that I
7 have dismissed objections to this matter. I have been
8 patiently speaking to them and writing about them for a
9 quarter of a century.

10 The Chairman: Senator Boren?

11 Senator Boren: Mr. Chairman, I will be very brief. I
12 want to associate myself completely with the remarks of the
13 Senator from Rhode Island in regard to the merits of this
14 legislation. I have given it a good deal of thought, and I
15 would have to say that in terms of my own political
16 experience as a public official, I have never been confronted
17 with a piece of legislation or a proposed policy change
18 toward which I felt such intense opposition.

19 I think this is the single most damaging legislative
20 proposal that I have ever viewed as a public official. I
21 think it will be a sad day indeed if the Congress of the
22 United States enacts it into law. I do not think the
23 Congress will ultimately make that mistake. I have that
24 intense feeling because of the reasons set forth by Senator
25 Chafee.

1 I certainly respect the Senator from New York. I
2 understand that he has given this matter long and serious
3 thought, the kind of thought that it deserves, and I respect
4 the fact that people can come very honestly to different
5 conclusions.

6 But I am convinced that we have never had any answer from
7 those of the Administration to the contrary, never any
8 evidence to the contrary, that there will be a process of
9 skimming, just as Senator Chafee said. In a state like mine,
10 where over 95 percent of the young people are in public
11 education, private education is principally available only to
12 those who can afford it. The amount of the tax credits that
13 are being provided simply is not going to make enough of a
14 margin of difference to allow the people at the bottom end of
15 the spectrum economically to move into the private schools.

16 In addition, as he has said, it is very clear that we are
17 not imposing the same requirements in regard to the
18 handicapped, in regard to children with learning problems or
19 discipline problems or otherwise that we are imposing on the
20 public schools, and I am absolutely convinced that what we
21 are doing is creating a dual system of education in this
22 country. That may not be the purpose. It may not be the
23 intent of those that are for this legislation. It may not
24 have such a pronounced effect in certain parts of the United
25 States where 70 or 80 percent of the children who represent a

1 cross section of the community are in the parochial schools,
2 but in areas of the country where the vast majority of the
3 students are in the public schools, 70, 80, 90, 95 percent of
4 the public schools, I can tell you that I have not one doubt
5 in my mind that this legislation will result, slowly but
6 surely, in the moving of those children in the upper income
7 levels, those most privileged members of our society, out of
8 the public schools and into the private schools.

9 The one thing that we have always believed in in this
10 country that is that if we give every child, whether they are
11 black or white, whether they are English-speaking in terms of
12 their native language or whether they are Hispanic, whether
13 they are rich or whether they are poor, if we would give
14 every child an equal opportunity for an education, that that
15 equal access to education of roughly equal quality and
16 caliber would do more than anything else to assure that we
17 have an open society, a society open to equal ability to
18 compete based upon talent and the willingness to work hard.

19 And I am convinced that if we pass this legislation, we
20 have taken a giant step backward in terms of equal
21 opportunity for our citizens. Students who do not have an
22 equal chance for education of equal caliber are not going to
23 have an equal chance to compete in our economic system. They
24 are not going to have a chance to participate meaningfully in
25 our political system. They are not even going to have an

1 equal position in the social structure of this country.

2 We may not see the result for five or ten or fifteen
3 years in any pronounced fashion, but I can tell you we can
4 look at British society, we can look at the recent, most
5 recent edition of the Anatomy of Britain, and we can see the
6 pronounced effects of what happens when you have a society in
7 which public education has never flourished to any great
8 degree.

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1 We will regret this decision if it is taken to approve
2 this bill today. We will regret it even more if we allow it
3 to become law. And I hope every single member of the Senate
4 will think long and hard before taking this giant step
5 backward in the provision of equal opportunity in an open
6 society, a society open to the talents and individual effort
7 and enterprise, because I think that is exactly what we are
8 doing in this legislation.

9 Senator Danforth: Mr. Chairman.

10 Chairman Dole: Senator Danforth.

11 Senator Danforth: Mr. Chairman, I support the bill and
12 will vote to report it out. I expressed my concerns last
13 week about the need to pay for a new entitlement program and
14 offered two amendments -- one amendment to provide that the
15 program would be triggered in when Congress specifically
16 earmarked either a tax increase or a spending cut to pay for
17 the program.

18 The second amendment was a sunset provision providing
19 that the program would terminate when the cost exceeded a
20 billion dollars a year. The projections we have had are that
21 it would go in three years up to three-quarters of a billion
22 and then stop.

23 Those two amendments were offered last week. We had
24 votes in committee on them. Both of the amendments carried.
25 I think that something happened to those amendments between

1 the time we voted on them and today, and I would like to
2 clarify what happened to them and what the final vote is.

3 Mr. DeArment: Senator Danforth, indeed there have been a
4 number of switches that have been reported to me today, and I
5 have reflected them on the tally sheet.

6 On the first of the Danforth motions which would provide
7 that tuition tax credits are effective only when we get
8 increased revenues or cut spending sufficiently to pay for
9 it, the vote now is 3 in favor, 15 against, and so that one
10 fails.

11 The \$1 billion sunset provision, the vote right now is 4
12 in favor, 12 against, so that one would fail.

13 Senator Danforth: Mr. Chairman, I would simply like to
14 point out that I thought we were facing some budget problems
15 in this government and that most of us had reached the
16 conclusion that the cost of government had become out of
17 control. And it seems to me appropriate that before creating
18 brand-new entitlement programs, it would be a responsible
19 thing to pay for those programs. And further, before
20 repeating the pattern of the past, which has been to create
21 entitlement programs with projections of costs that proved
22 ridiculously low in retrospect, that we would at least have
23 some possibility of reviewing the program rather than
24 automatically locking ourselves into the programs. That was
25 the reason for offering those amendments.

1 I think that what we are seeing now is a rerun of the
2 past, a real case of deja vu, where in principle we believe
3 in cutting the budget deficits; in reality we do not believe
4 in that at all. And we are willing to embark on new
5 entitlement programs, and we are willing to blindly follow
6 the same paths that we have followed in the past, really to
7 the detriment of the country as a whole.

8 I have committed myself to voting to report this out. I
9 will do so. But I do want to state to the committee that I
10 am very disappointed in the switch of these votes. I think
11 it is bad public policy. I think it is precisely the kind of
12 thing that has gotten us into this desperate economic jam.

13 Senator Packwood: Can I ask, Mr. Chairman, how am I
14 recorded on those? I remember how I voted. I want to make
15 sure I did not switch.

16 Mr. DeArment: Senator Packwood, on the --

17 Senator Packwood: On the paying for it.

18 Mr. DeArment: On the paying for it amendment you are
19 reported in favor of that one and against the sunset one.

20 Senator Packwood: Okay.

21 Chairman Dole: Are we ready to vote?

22 Senator Chafee: Mr. Chairman, most of the members on
23 this committee that are in favor of this legislation stress
24 that their purpose is not to create a dual school system in
25 the United States. I believe they sincerely feel that this

1 would be a wrong step, and that their intention in supporting
2 this legislation, which subsidizes youngsters going to
3 private schools, is not to have a school system that is one
4 system for the rich, the able, the motivated, the
5 unhandicapped, the English-speaking, and the other taking the
6 balance -- the poor, the black, the minorities, the
7 handicapped, those with difficulties with English, the
8 immigrants.

9 But, Mr. Chairman, just note what we are getting into
10 here. This is truly one of these going down the garden path
11 type of legislations.

12 The first type of legislation, the first year it is a
13 \$100 credit, the next year it is a \$200 credit, the next year
14 it is a \$300 credit. I do not think anybody on this
15 committee thinks it is going to stop there. Onward it goes,
16 and every argument that has been used in favor of this
17 legislation will be repeated in order to increase the tax
18 credits. We have got to help these youngsters go to these
19 wonderful private schools. Three hundred dollars is not
20 enough, so onward it keeps moving.

21 And, Mr. Chairman, I think we are starting down a very
22 bad trail, and I think this is well pointed out by the senior
23 Senator from Oklahoma. I think it is a great mistake. It
24 goes contrary to everything that is contained in this report,
25 or at least the report had no suggestion whatsoever.

1 True, we have got problems in this country in our public
2 schools, all kinds of problems. You know, it kind of reminds
3 me of during the war they asked Joe Louis, they said Joe, why
4 are you going around helping, speaking, contributing to the
5 U.S. war effort? The blacks in this country are not making
6 out very well. And he said well, that is true, but there is
7 nothing wrong with this country that Hitler can fix. And so
8 there are lots of problems with the public schools, and,
9 true, we have got to take steps as set forth in this report,
10 "A Nation At Risk." But there is nothing that is going to
11 help those problems that this legislation is going to help
12 fix.

13 And so, Mr. Chairman, I would urge my colleagues to vote
14 against it.

15 Senator Bentsen: Mr. Chairman.

16 Senator Packwood: Lloyd.

17 Senator Bentsen: Mr. Chairman, I was watching the
18 national network news this morning, and I saw a student
19 asking the President of the United States why he was cutting
20 back on federal assistance to education, loan programs,
21 impacted aid, the rest of it; and then I listened to the
22 President of the United States say, "Well, that is just not
23 correct. More money is being spent on education today than
24 was spent," and he cited the years ago.

25 That is a gross misrepresentation. What he has chosen to

1 respond to is to take the school districts, the counties and
2 the states and the federal government, and talk about what
3 has happened in the way of an increase in the cost of
4 education with inflation. But if you get as to what the
5 federal government is doing, what he has proposed and what he
6 has pushed is a cut in the assistance by the federal
7 government to education.

8 I could not disagree stronger with the priorities. At
9 the very time that public education in this country is in
10 trouble, when we see the kinds of reports that we have seen
11 as a deterioration in the public school system, to then turn
12 around at that very time and subsidize private schools is a
13 serious mistake in priorities.

14 Not establish a class society? Of course you establish a
15 class society. One of the great things in this country has
16 been the public school system where rich and poor, the bright
17 with the not so bright, have rubbed shoulders day after day
18 and have come to know each other, and hopefully developed
19 some tolerance, one for the other.

20 But now to try to vastly expand the private school
21 system, how can you seriously argue but what it will pick up
22 in general the brighter, those who have less behavioral
23 problems? How can you argue but what the public school
24 system will have the others? And one will not really
25 understand the other. And the great advantage of this

1 country will have been lost.

2 So I strongly endorse what the Senator from Rhode Island
3 has said, and the Senator from Oklahoma. And I strongly
4 believe that this is a mistake in priorities.

5 Senator Pryor: Mr. Chairman, let me add one sentence
6 before we vote. I know you want to vote now. And that is --
7 this is really for the benefit of the majority leader and his
8 process. It will take only 11 votes to report this vote out
9 of the committee, but it will take a minimum of 60 votes to
10 pass it on the Senate floor, and I think the majority leader
11 should know that for scheduling purposes.

12 Chairman Dole: I have indicated to the majority leader
13 that this bill is slightly controversial. He does not
14 support it, I might add.

15 So the Clerk will call the roll.

16 Mr. DeArment: Mr. Packwood.

17 Senator Packwood: Aye.

18 Mr. DeArment: Mr. Roth.

19 [No response.]

20 Mr. DeArment: Mr. Danforth.

21 Senator Danforth: Aye.

22 Mr. DeArment: Mr. Chafee.

23 Senator Chafee: No.

24 Mr. DeArment: Mr. Heinz.

25 [No response.]

1 Mr. DeArment: Mr. Wallop.
2 [No response.]
3 Mr. DeArment: Mr. Durenberger.
4 Senator Durenberger: Aye.
5 Mr. DeArment: Mr. Armstrong.
6 Chairman Dole: Aye.
7 Mr. DeArment: Mr. Symms.
8 Senator Symms: Aye.
9 Mr. DeArment: Mr. Grassley.
10 Senator Grassley: Aye.
11 Mr. DeArment: Mr. Long.
12 Senator Long: Aye, with reservations.
13 Mr. DeArment: Mr. Bentsen.
14 Senator Bentsen: No, without reservation.
15 [Laughter.]
16 Mr. DeArment: Mr. Matsunaga.
17 [No response.]
18 Mr. DeArment: Mr. Moynihan.
19 Senator Moynihan: Aye.
20 Mr. DeArment: Mr. Baucus.
21 Senator Baucus: No.
22 Mr. DeArment: Mr. Boren.
23 Senator Boren: No.
24 Mr. DeArment: Mr. Bradley.
25 Senator Bradley: Aye.

1 Mr. DeArment: Mr. Mitchell.

2 Senator Mitchell: No.

3 Mr. DeArment: Mr. Pryor.

4 Senator Pryor: No.

5 Mr. DeArment: Mr. Chairman.

6 Chairman Dole: Mr. Both votes aye, and the Chairman
7 votes aye.

8 Senator Eoren: Mr. Matsunaga votes no by proxy.

9 Chairman Dole: On this vote the yeas are 11, the nays
10 are 7, and the absentees may record their votes.

11 Senator Moynihan: Mr. Chairman, do I understand we have
12 reported the bill out?

13 Chairman Dole: Yes. It is a freestanding bill.

14 Now we move to increase the public debt; long bond
15 authority.

16 Mr. Chapoton, is this yours?

17 Mr. Chapoton: No, it is not. Warren Carter from
18 Treasury is here.

19 Chairman Dole: Who is the debt expert?

20 Mr. Carter: I am from the Treasury. My name is Warren
21 Carter.

22 Chairman Dole: I would like to put in the record
23 following that last vote, someone just handed me a news story
24 indicating the Supreme Court ruled 8 to 1 today against
25 lucrative tax breaks for private schools that practice racial

1 discrimination. So at least we were correct in that
2 assumption a few months ago.

3 Senator Moynihan: Mr. Chairman, I wonder if I could,
4 without interrupting the process, where does that stand leave
5 us with respect to the administration's interpretation last
6 January of the Internal Revenue Service rules that were
7 promulgated in 1970, or maybe they were 1971? Do we have to
8 pass legislation, or does this court ruling --

9 Chairman Dole: My hope would be the court ruling has
10 taken care of that. I have not read the ruling.

11 Senator Moynihan: Perhaps the staff could get a reading
12 from the administration on that point for us.

13 Chairman Dole: Maybe they could report to us later this
14 morning after they have had a chance --

15 Mr. DeArment: We will do so.

16 Chairman Dole: Now, who is going to discuss the
17 details? We have had a hearing on this matter. Senator
18 Packwood presided. It has passed the House. I understand we
19 have been haggling with Treasury. And it was not necessary
20 to do this for a few weeks, but it is my understanding it is
21 essential. That is the information given to the House. They
22 have passed an extension to the end of the fiscal year, and
23 that is the matter before us. And I wonder if you could
24 briefly indicate why it is imperative that we do it before we
25 adjourn on Friday or recess on Friday?

1 Mr. Carter: Mr. Chairman --

2 Chairman Dole: Pull it up close. Pull your microphone
3 up close.

4 Mr. Carter: We need an increase in the debt limit for
5 two reasons. If we follow our normal financing schedule, we
6 will exceed the current debt ceiling limit of one trillion
7 two hundred million point two on May 31st of this year. On
8 May 31st, assuming that we do follow our normal financing
9 schedule, the debt, the public debt subject to limit will be
10 one trillion two ninety-four point seven. On June 1st this
11 number will jump to one trillion three hundred twenty billion
12 dollars.

13 Chairman Dole: What did the House do? Can you tell me
14 what the House did?

15 Mr. Carter: The House gave us authority of one trillion
16 three eighty-nine through September 30, 1983.

17 Chairman Dole: They also made it permanent, did they not?

18 Mr. Brockway: That is correct. They increased the debt
19 limit.

20 Chairman Dole: They also added some long bond authority?

21 Mr. Brockway: They added long bond authority for \$40
22 billion, from \$110 to \$150.

23 Senator Symms: Mr. Chairman, could I ask a question on
24 that point? Could you explain to me what the impact of
25 changing the debt from temporary to permanent would have?

1 Mr. Carter: Well, it would give us, given that the
2 current permanent debt limit is \$400 billion, by giving us a
3 figure of \$1,389,000,000,000 as a permanent ceiling we would
4 have one small flexibility. We would be able to roll over
5 the debt of this government at that time on September 30th.
6 Under current statute we would not have the flexibility of
7 even rolling over the debt that matures at that point; thus,
8 we would in fact be defaulting on our security.

9 Senator Symms: Would mean that if the Congress gave
10 proper notice then to the Treasury on September 30th that
11 that would be the termination point of extending further debt
12 that the federal government could start operating on a cash
13 basis and still be able to make their commitments and make
14 their payments, even though they might have to --

15 Mr. Carter: We would still have to come for an
16 additional increase in the debt ceiling at that point in
17 order to proceed with our financing, raising of new cash to
18 meet the government's obligations.

19 Senator Symms: But the way it is right now, once the
20 temporary debt expires, then all revenues that come in have
21 to start reducing that so you cannot pay anybody else. If it
22 was permanent, then that would not be the case? You would
23 just pay the interest on the debt, and you could go on a cash
24 basis?

25 Let me restate my question. What I am trying to get at,

1 I have always opposed this raising of the debt because I felt
2 like if we stopped raising the debt, we could finally come to
3 grips with the spending. However, you run into the problem
4 that they cannot mail out the checks to the social security
5 recipients and so forth, so we always lose the argument.

6 If it were made a permanent debt, would that change that
7 circumstance?

8 Mr. Carter: We could use the cash that we have, but we
9 could not raise any more new debt.

10 Senator Symms: But you could use what cash you had to
11 make what payments that you could make even if you had to
12 reduce the amount of money that you sent everybody or paid
13 everybody. You could pay them something.

14 Mr. Carter: We could use the cash until it was
15 exhausted, yes.

16 Senator Symms: Or each month you could spend what you
17 have.

18 Mr. Brockway: And you could roll over your debt. You
19 could leave your expenditures at the same level rather than
20 increasing them. Basically what you are saying is correct.
21 In the same situation that you are coming at the end of this
22 month where the temporary debt ceiling is going to stay up at
23 \$890 billion through September 30th. So when we come at the
24 end of this month, that when the government gets, you know,
25 it can roll over the continuing debt so you can keep on

1 borrowing at the same levels. It just cannot increase its
2 level of borrowing, so you basically go to a cash basis at
3 that moment.

4 Senator Symms: So you would remove some of this whole
5 crisis argument that has been thrown at members of Congress.

6 Mr. Brockway: You would stretch out the crisis.

7 Chairman Dole: I might say it is an area that Senator
8 Armstrong and Senator Long have been working on to make it
9 permanent.

10 Senator Symms: Senator Long is the one that first
11 brought this up in the committee. I thought this was a good
12 idea ever since. In fact, I think I brought it up myself the
13 last time, and we were not able to do it. But it would
14 appear to me that -- are we talking about doing it in here
15 with this bill?

16 Mr. DeArment: It is in the house bill.

17 Chairman Dole: We have the same matter before us.

18 Are there other questions? If not --

19 Senator Symms: I have one other question. If I could
20 just complete my questions.

21 Chairman Dole: Excuse me.

22 Senator Symms: How much money is this going to take?
23 Last year when you came before the committee you said it
24 would have a \$200 billion deficit even with the tougher bill,
25 and you were correct. How much are we going to need this

1 year to finish through this year, this fiscal year?

2 Mr. Carter: Ninety-nine billion dollars.

3 Senator Symms: Ninety-nine billion. Is that off-budget,
4 on-budget, everything?

5 Mr. Carter: That is everything. That includes on-budget
6 and off-budget financing needs.

7 Senator Symms: What is the deficit for the entire year
8 then? What will it be?

9 Mr. Carter: The administration is now forecasting a
10 budget deficit of \$210 billion for fiscal year 1983.

11 Senator Symms: Thank you, Mr. Chairman.

12 Chairman Dole: Let me say that there may be some members
13 who wish to offer amendments to the debt ceiling. It is my
14 hope that we can keep the debt ceiling clear of amendments.
15 If in fact we intend -- I am sure we are going to have to
16 face -- I have already been notified there will be an
17 abortion amendment offered on the floor. There will be
18 prayer and school offered on the floor. But I intend to move
19 to table those if there is not going to be any extended
20 debate. So I would hope that unless there is someone who
21 just has some burning desire to amend the debt ceiling that
22 we might not offer amendments.

23 What I hope to do following disposition of this is to
24 offer a committee amendment composed of a compromise on
25 withholding coupled with the Caribbean Basin Enterprise Zones

1 and the reciprocity legislation which have already passed
2 this committee -- offer this group of amendments as a
3 committee amendment to the withholding repealer on the Senate
4 floor. And I would think that might satisfy most everyone.

5 And on the withholding issue, it will in fact be
6 repealed, but it will contain some compliance provisions that
7 will pick up about 42 percent of the revenue. And it seems
8 to me that the least we can do is to salvage the revenue or
9 whatever portion of the revenue that we can.

10 Senator Long: Mr. Chairman.

11 Chairman Dole: Senator Long.

12 Senator Long: First, let me say that I agree with the
13 Chairman that we ought to pass this debt limit bill as a
14 clean bill, and it should not be encumbered by other
15 amendments, even revenue amendments.

16 I think that we face a prospect that if we do not pass
17 this reasonably promptly, then we could have another one of
18 these ridiculous impasses where the government cannot pay its
19 own employees, cannot send out the social security checks and
20 things of that sort. And I think that that reflects badly on
21 everybody in the government when that type of thing happens,
22 and I just do not think it ought to be done.

23 So even though I have been tempted to offer an amendment
24 to repeal the withholding tax on it, on these dividends, I am
25 not going to offer it on this legislation because I think

1 that the Chairman is right in saying that this legislation
2 should be passed cleanly, and we ought to get this behind us
3 and go on to the next thing. And maybe later on we might
4 amend the debt limit bill when we have a little more time.
5 But that should be handled now.

6 Now, with regard to the other bill, the House sent us not
7 a compromise on the repeal of withholding on interest and
8 debt, but a clean repealer. My impression is, and the best I
9 know from the experience I have had around here, and I have
10 tried to conduct some intelligence, and it is not adequate by
11 any means, but it is enough to give me a solid opinion as to
12 what I think is likely to happen.

13 My judgment is that if we call up that bill at the desk,
14 which is a House-passed bill for a clean repealer of the
15 withholding tax on interest and dividends, and we amend it in
16 the fashion the Chairman is suggesting, that bill will still
17 be on the Speaker's desk on January 1 next year and might
18 still be there when the Congress adjourns sine die at the end
19 of that year.

20 So I really think that this matter ought to be settled.
21 It ought to be settled clean up and down. And it is my
22 objective insofar as anybody is inclined to follow my advice
23 about the matter that we ought to undertake to pass the bill
24 and send it on down to the President. Now, if he wants to
25 veto it and go right to it, veto it, if he wants to. I think

1 we will have the votes to override the veto in both houses,
2 and that will settle the issue. I think anything less than
3 that is just going to result in more and more of the same.

4 Now, when I moved on that issue to try to send the House
5 a clean repealer, no, siree, a motion was made to substitute
6 a so-called compromise, and now the compromise looks worse
7 all the time. And even though one finds some people who
8 might presume to speak for the bankers of America here in
9 Washington, D.C. and for taxpayers who are concerned and say
10 that they are willing to settle for a compromise, that is the
11 best that they are likely to get, that does not satisfy the
12 people back home; that does not satisfy the small-town
13 bankers I know; that does not satisfy the public who are
14 concerned about it out there.

15 And I really think that the best thing to do is just to
16 fight for a clean repealer and save all these compliance
17 issues for later on.

18 Now, I asked the staff to get me a figure on how much
19 money Uncle Sam is spending on collecting these taxes. It
20 turns out they collect around \$600 some -- almost \$700
21 million a year. Uncle Sam is spending about \$3 million. So
22 that is working out one-half to one percent. Do you think
23 the average citizen knows that? I think the average citizen
24 does not know that what we are spending getting the money in
25 is only one-half of one percent of what we are taking in.

1 And to me it clearly means that we ought to spend more money
2 hiring people, as I said, or even putting some to work on a
3 commission basis to go out and get that money. But the
4 cheaters and chiselers are not paying in. And that is how I
5 think we ought to be getting the additional revenue.

6 And I will vote for the money. I am willing to double
7 the money that we are spending to get the money in and
8 collect it, and use other devices such as pay people to
9 pursue and represent us on a contingency basis, to go out and
10 pursue just anybody left over who has not paid what he owes
11 us.

12 But I just would like to see us vote for a clean
13 withholding. And I took the responsibility of sponsoring
14 that bill up there at the desk. And there is lots of
15 precedent for it. It was done to me when I was chairman of
16 the committee from time to time. I never quarreled about it
17 from any single Senator. He does not have to be a member of
18 the Finance Committee. Anybody has the right to stop a bill
19 out there at the desk if he wants to. And in this case my
20 thought was that sometimes the committee has asked that we
21 stop these bills, that we stopped the bill at the desk many a
22 time. And my thought was if we get the bill in the
23 committee, then we have got the problem of getting it back
24 out of the committee, and then we have got the layover time
25 after you get it back out. So in order to keep it from being

1 lost somewhere, I undertook to keep it out there at the desk.

2 But I would hope that when the committee acts, when the
3 Senate acts, that they will give us the benefit of an
4 opportunity to vote straight up and down on a clear repealer
5 which would not have to go back to the House, would not have
6 to get tied up in a legislative logjam. We could settle the
7 issue. Because I think if we do that, we will settle it.

8 Thank you, Mr. Chairman.

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1 Chairman Dole: Senator Danforth.

2 Senator Danforth: I have an amendment.

3 Is it appropriate to offer an amendment now?

4 I would like to pass out to the members a little sheet
5 explaining what the amendment does.

6 Senator Moynihan: Is this an amendment to the debt
7 ceiling?

8 Senator Danforth: Mr. Chairman, this amendment is
9 offered by Senator Boren and myself, and Senator Poren is on
10 the phone right now, and I am anxious for him to come in and
11 join in the fray.

12 The amendment, during the years 1985 through 1988 would
13 redefine indexing for the purposes of taxes which will be
14 indexed as of 1985, and for the purposes of non-means tested
15 entitlement programs at Consumer Price Index minus three
16 percent. That is to say, indexing for all purposes except
17 for those programs targeted at the very poor would be
18 redefined at CPI minus three percent.

19 This amendment would reduce the deficit during that
20 four-year period of time by \$117.2 billion. Of that amount,
21 \$57 billion would be in revenues, and \$60.2 billion would be
22 in spending reductions.

23 Now, Mr. Chairman, the amendment is based on two
24 different principles, and we believe that those principles
25 deserve to be debated. And the principles are these: first

1 of all, the deficit that we have created year after year is
2 very damaging for this country. A week from today the
3 national debt will exceed \$1.3 trillion.

4 I wonder if anybody at the desk in front of us has that
5 projection as to when the debt will reach \$2 trillion.

6 Senator Heinz: Mr. Chairman, do we have word back from
7 the Library of Congress as to what word comes after trillion?

8 Chairman Dole: Yes. Quadrillion, I think.

9 Mr. Brockway: The Senate Budget Committee would say in
10 1986.

11 Senator Danforth: 1986, Mr. Chairman, 1986. The federal
12 debt is expected to hit \$2 trillion. And we make a lot of
13 speeches about it, and they sound just great, and yet we saw
14 last week how difficult it is for the Senate to pass any
15 budget resolution whatever, any resolution. And maybe we
16 will not pass a budget resolution after the conference is
17 held. Whatever it is, whatever the figure is, it will end up
18 being out of this world.

19 But we make our speeches, and we support balanced budget
20 constitutional amendments, some of us; but when it comes down
21 to specifics, what do we do? Well, in this committee today
22 we create a new entitlement program, vote to create a new
23 entitlement program. We vote against paying for the
24 entitlement program. We vote against sunseting the
25 entitlement program. We vote to repeal holding on interest

1 and dividends. And all of those votes I am sure make us
2 popular and help us win elections.

3 I am absolutely convinced that what we are doing is very,
4 very bad for the country. I do not believe that we can run
5 up deficits like this without causing real problems for
6 America, problems in the short term. Everybody says the
7 signals to the money market, to the financial community are
8 so important. But in addition to the short-term signals that
9 we are flashing to the financial community, every year we run
10 up a \$200 billion deficit. That means for every year
11 thereafter for the future of this country the interest
12 charges on that year's deficit will be \$16 to \$20 billion
13 every year, and that is what we are doing.

14 Now, Mr. Chairman, the second principle -- the first
15 principle being that the deficits are damaging -- the second
16 principle is this. We are never going to make a serious move
17 on these deficits unless we face reality, and reality is that
18 no matter what we do to the defense budget, no matter what we
19 do to congressional salaries and all the little things people
20 like to fix on as a cause for the deficit, we are not going
21 to come to grips with the size of the deficit unless there is
22 a bipartisan effort -- and I want to stress that, bipartisan
23 -- involving Democrats and Republicans. And unless that
24 effort first of all brings in additional revenue -- and I
25 hate to say that. I have always supported tax cuts. It is

1 clear that we have gone too far in cutting taxes. And
2 secondly, maintains some control on the explosion of
3 entitlement programs.

4 Those entitlement programs are popular. They are very
5 popular. They are retirement programs. Nobody wants to
6 touch them. Nobody wants to go back and fight any battle on
7 social security again.

8 But I say this, Mr. Chairman. I bet that if the American
9 people were faced with the question of whether they wanted to
10 make some sacrifice, some sacrifice because the country is in
11 trouble or whether instead they feel that they've sacrificed
12 enough and do not want to give everything up and want to grab
13 everything they can for themselves, I bet anything if this
14 issue were put to the American people, they would say we want
15 to make some sacrifices. And the fact of the matter is there
16 is no possibility, zero possibility, that we are going to get
17 the deficit to manageable levels unless we make an effort on
18 the revenue side and on the entitlement side, as unpopular as
19 that sounds. And that is the purpose of this amendment.

20 I think Senator Boren might want to --

21 Chairman Dole: I just want to check. We may be getting
22 into a deadline here at 12:00. Is there going to be any
23 objection to you checking to see whether we can sit?

24 Mr. DeArment: The cloakroom registers an objection.
25 They are checking again with action completed on tuition tax

1 credits on whether there is still objection. But they have
2 shown objection from the Democratic side of the aisle.

3 Senator Boren: I have no objection.

4 Senator Long: Mr. Chairman, I might want to object
5 unless -- I would object to just sitting here. It has got to
6 be all afternoon. I would be willing to stick around here
7 for maybe half an hour to an hour, something like that.

8 Senator Boren: This is our caucus meeting, and we do
9 have a very important debate about 12:30.

10 Senator Long: Well, I think we ought to vote on Mr.
11 Danforth's proposition. It has a lot of merit to it. But I
12 do not want to stick around here for the next half hour. If
13 we could just do some voting and get on with it.

14 Senator Danforth: I wonder if Senator Boren could be
15 heard, and then we could dispose of this very quickly.

16 Senator Boren: Now, Mr. Chairman, let me just say very
17 briefly that I am very proud to join with Senator Danforth in
18 this effort. I think he has ably stated the propositions
19 that all of us know. There is not one person sitting around
20 this committee table that does not agree, I think, that we
21 are facing with the kinds of deficits we are projecting,
22 whichever of the budget resolutions now pending in the
23 conference is adopted or some variation thereon, we are
24 facing deficits that are so large that once we begin to have
25 any kind of private recovery picking up steam with demand for

1 private sector credit, that it is going to bump up against
2 the public sector taking 50 percent of more of the available
3 credit in the country.

4 It is not a question of will the recovery be choked off
5 by deficits of this size. It is simply a question of when
6 will the recovery be choked off by deficits of this size. We
7 all know that.

8 Some people have said that while that is true, while we
9 all know it is true, with the administration control of the
10 Federal Reserve that it probably could at least bring us
11 through the next election without bumping up against these
12 kinds of limits and without having the recovery choked off,
13 and that after the elections maybe we could face up to the
14 deficit.

15 But, you know, we are just always a year away from some
16 election. And I think that sometime we are going to have to
17 face up to doing what is right, whether we are approaching an
18 election year or not. We all know we have to control the
19 deficits, as Senator Danforth said, point one. We have not
20 done so.

21 The second thing is we know it has to be a bipartisan
22 effort. It has to involve everybody.

23 Point three is you cannot exempt 80 percent of your
24 spending and 100 percent of your income and do anything about
25 getting the deficits down. We do not have within our

1 jurisdiction in this committee the defense budget or some of
2 the other elements of the budget that perhaps should be
3 considered in any overall or total plan. But we do have
4 within the jurisdiction of this committee two elements which
5 could at least be used as a beginning toward some action that
6 would get the deficit under control; and I hope that people
7 will seriously think about it.

8 I have felt that the Long fail-safe proposal during the
9 social security debate was an extremely responsible
10 proposal. It was based on this very same proposition. It
11 did not deal with means-tested entitlements. In fact, it
12 exempted the first \$300 a month, I think, of social security
13 income. But it said if reserves are falling below a certain
14 dangerous level, you would not have your full cost of living
15 increase on amounts above a certain minimal figure.

16 It seems to me we all know, we all know from looking at
17 it -- we just do not want to admit it publicly -- that until
18 we tackle the automatic escalators in our budget, we are
19 never going to get it under control. And I think that this
20 proposal is fair, is balanced. It is certainly rigid on the
21 upper income side, the middle income side with restraining to
22 some degree. We get a portion of the indexing effect for
23 this period. It would not repeal indexing. I would be
24 against repealing indexing. It merely restrains it for a
25 period of time if we needed it. If we needed it, if the

1 deficits were still large, we would do so temporarily, and
2 the same thing would be true on constraining non-means tested
3 entitlements. We would only give a portion of the increase.

4 So it is balanced, it affects both sides. It is
5 something we need to do. And I cannot think of anything,
6 even though this is modest in itself. We are talking about
7 \$117 billion over the four years, but more importantly, we
8 are sending a message that we have the political courage in a
9 bipartisan sense to take on the real, the underlying and
10 driving problems with the federal deficits. And I think that
11 will be a very important message, and I hope the members of
12 the committee will give it serious thought, whether we end up
13 voting on this now or later.

14 I hope the members of the committee will begin to mull
15 this idea around in their minds and think long and hard about
16 whether it is the kind of balanced approach that might give
17 us a jumping off place to begin to do something constructive.

18 Chairman Dole: Thank you, Senator Boren.

19 I would just say very briefly I think the amendment does
20 have a good deal of merit. I think the one concern many of
21 us who have just gone through about a year and a half
22 struggle on social security, we would be right back in the
23 middle of that. If you take out the social security
24 component, you do not have much in the way of savings. I
25 know this would cause the President heartburn and maybe many

1 others who just not only voted for the social security
2 compromise but hailed it as a great success and, in effect,
3 preserving the system.

4 I do not know how you are going to get the reductions
5 without going into all of those programs, but that is the one
6 area that I think would be certainly troublesome to me and I
7 am certain others on the committee, if we went back. And I
8 know a number -- as you have indicated, I know a number of
9 Senators on both sides have been focusing on this approach.
10 I think the fact has been raised it may bring enough of us
11 together to have a meaningful resolution of the budget one of
12 these days. We do not have much of a budget now.

13 Senator Long: Mr. Chairman.

14 Chairman Dole: Senator Long.

15 Senator Long: First I would like to ask that these
16 charts which have been provided, they are referred to as the
17 Long charts, but these tables do provide a wealth of
18 information relevant to the debt and related problems,
19 private debt and all the rest of it.

20 I would like to ask consent that they appear in the
21 committee report if we have a committee report. I hope we
22 do. And if not, I will ask consent that they be put in the
23 record.

24 [The material follows:]

25 COMMITTEE INSERT

1 Senator Long: I would like to ask the Treasury, can you
2 bring us up to date? I see you go through 1982. Can you
3 bring us just on an estimated basis, can you give us an
4 estimate that would project to some point in 1983, even if
5 only to June 1983?

6 Mr. Carter: I could provide that for you, Senator.

7 Senator Long: Do you have that?

8 Mr. Carter: I do not have that, but I can provide it.

9 Senator Long: You can do that? I would appreciate it if
10 you could do that because I think it helps brings us as close
11 as you can to where we are. That is point number one.

12 Now, point number two, on the merits I am for the
13 amendment, but the Chairman tells me -- and I believe this is
14 correct -- that we are going to run out of money about
15 Friday. Is that right, Mr. Chapoton?

16 Mr. Carter: Yes. We will be out of money by June 1st
17 this year.

18 Senator Long: So Friday we run out of money, and so that
19 can create problems for the government, could it not? I
20 guess you could find a way. You might kite checks or
21 something. But basically, for all intents and purposes, you
22 are broke -- in layman's terms you are broke on Friday, in
23 the general sense.

24 Chairman Dole: It is actually Tuesday or Wednesday.

25 Mr. Carter: It is Tuesday. The first of June is next

1 Tuesday.

2 Senator Long: So starting on Tuesday, at a time when we
3 do not anticipate being in session -- now, the House, they
4 are going to be at the Paris air show. Here the country is
5 going to hell in a handbasket, and the Senate has adjourned
6 and gone on vacation, and the House has gone to the Paris air
7 show. So that would be highly irresponsible. And it seems
8 to me we ought to resolve this thing for now.

9 My feeling is on the House side they are planning to face
10 up to this issue for the need of additional revenue in the
11 next debt limit bill, and if that is the case, I think that
12 they will send us in something in time so we can confront
13 this amendment and the issues relevant to it on the next debt
14 limit bill, if not before. And at that time I would like to
15 vote for your amendment, Senator Danforth, but I really think
16 that I will support the Chairman of the committee in his view
17 that we cannot afford to put it on right now.

18 Is that not the Chairman's position, that while it has a
19 great deal of merit, and I intend to vote for it when we have
20 it on some other bill, but we cannot do it right now.

21 But I heartily applaud what the Senator has proposed, and
22 at a subsequent date I would like to support his proposal.

23 Chairman Dole: Senator Moynihan.

24 Senator Moynihan: Mr. Chairman, let me just take a few
25 moments and speak very directly to Senator Danforth in this

1 matter and say that the difficulty that I have with what he
2 proposes is that it suggests that what we are dealing with
3 today is simply an extension of a generalized condition which
4 we have been in for a very long while.

5 And it seems to me that this is not so; that the question
6 rather is how can it be that things have gone so askew so
7 quickly and in the very opposite direction that was expected
8 and proclaimed by the administration. I am not trying to
9 point blame. I am saying that talk about political courage
10 will not get us out of our situation. A measure of political
11 intelligence is involved here. And it seems to me we need to
12 ask the administration to come up and talk to us, and we have
13 to talk to ourselves.

14 We voted for these bills. Remember what the President of
15 the United States said in September -- on October 1, 1981,
16 two months after signing the tax bill? He said the one
17 trillion debt figure can stand as a monument to the policies
18 of the past that brought it about, policies which as of today
19 are reversed. Two hundred and two years of government
20 produced one trillion dollars of debt. Those policies are
21 reversed, and now we learn that the next five years will
22 produce the next trillion.

23 We made enormous reductions in taxes under a doctrine
24 that held that this would involve no loss of revenue. The
25 President said in the campaign in Lansing, Michigan, we will

1 take the increased revenues that come from the decreased
2 taxes, use that to build up spending.

3 I heard the distinguished political commentator George
4 Will speak the other day at a meeting of the New York State
5 Bankers' Association. He said I would offer a door prize of
6 a toaster to that individual who can name me one social
7 program which the President in the campaign of 1980 proposed
8 to eliminate, and no hands were raised, and he said that is
9 right because there was none.

10 Now, I think we can approach these matters. Now, there
11 is a question of by what process could men of the quality
12 that we see at this table and other than this government and
13 men around this table persuade ourselves to set upon a course
14 of fiscal monetary policies of adding one trillion dollars to
15 the debt in five years' time when in fact the proclaimed
16 purpose was to do the opposite -- I quote the President --
17 the policies which as of today are reversed.

18 Now, before you -- I mean it seems to me there was an
19 absence of inquiry, an absence of rigor, an absence of data,
20 and an absence of attention that got us into this situation.
21 And it seems to me that if that kind of implicit behavior
22 brought the problem about, it will not be reversed by equally
23 impulsive behavior. I am not suggesting that the Senator was
24 impulsive, but we have not had a day's hearings on this. We
25 have not heard about what the nature of our problem is.

1 I would argue that the proposition that it is exploding
2 entitlements is a respectable proposition, but it must be
3 proved. It cannot simply be asserted.

4 Would the Senator agree with me that a lot of things were
5 asserted two years ago that were not proved?

6 Senator Danforth: Mr. Chairman, I am not going to, with
7 all due respect to Senator Moynihan, I am not going to argue
8 with him. I think we heard on the floor of the Senate last
9 week the fruits of getting into or trying to assess the
10 blame; and I am sure that this administration and this
11 Congress and this Senator can take a lot of blame. They
12 deserve it.

13 And for my part, I would be willing to assume
14 responsibility for every vote I have made, and I know that a
15 lot of speeches have been made in the past about me or the
16 President or about the other side of the aisle. But the
17 point is where do we go from here? What do we do now?

18 I do not want to be impulsive, but it seems to me that it
19 is irrefutable that there is no possibility of reducing the
20 deficit to a manageable level unless both revenues and
21 entitlements are part of the equation -- not the entire
22 equation. We are going to have to deal with Medicare, which
23 is not part of this proposition, as Senator Heinz pointed
24 out. We are going to have to continue to wrestle with the
25 defense budget. We are going to have to consider all kinds

1 of things that have to be done.

2 What I am saying is that but for a bipartisan effort and
3 but for an effort which addresses both revenues and
4 entitlements, there is no possibility of having a responsible
5 budget. There is no possibility of having a deficit that is
6 less than say \$150 billion in any year.

7 And I think that is worthy of debate. I think that it is
8 irrefutable. But I think that is precisely what should be
9 debated, because I believe that as long as we try to find
10 some out, as long as we try to find some way out of the box
11 without facing up to the entitlement and the revenue parts of
12 the problem, we are simply going to ignore reality, and the
13 longer we ignore reality, the worse and worse it is going to
14 be.

15 So I put forward for debate those two propositions: one,
16 that the deficit is very damaging, long term and short term,
17 for this country; and secondly, that the problem will not be
18 solved but for a bipartisan effort involving both revenue and
19 entitlements.

20 I throw that open for debate. I would say to Senator
21 Long that I very much appreciate his comments and to Senator
22 Dole that Senator Boren and I have discussed this earlier
23 today. We do not intend to press this to a vote because of
24 the Chairman's desire for a clean debt ceiling bill, because
25 it is obviously a blockbuster of an idea. And I think people

1 will say gee, do I have to vote on that in half an hour's
2 time, and the answer to that is no. But that we are going to
3 be looking for an opportunity to raise the issue, maybe even
4 on the floor, on the debt ceiling. But we are going to look
5 for an opportunity to raise this issue at some appropriate
6 subsequent time.

7 Chairman Dole: Senator Pryor.

8 Senator Pryor: Thank you, Mr. Chairman.

9 I think in my own opinion what Senator Danforth and
10 Senator Boren are attempting to do is most worthy, and I
11 applaud the both of you for doing this. And I would also
12 like to say, Mr. Chairman, that this vehicle to which it is
13 attached I do have some question. I think once again we come
14 up here in the last hour, and they bring a gasping, dying
15 patient to us, and they say okay, we are going to pull the
16 plug on Friday. It happens again. You know, history repeats
17 itself. We are going to pull the plug on Friday if you
18 fellows do not do something with this poor dying patient.
19 And so we all know what we have to do with it.

20 And I just would like to urge, Senator Danforth and
21 Senator Boren, that this discussion I think should take
22 place, but I am not sure over the deathbed of the patient at
23 issue right now is the proper place.

24 Senator Grassley: Mr. Chairman, the only fault I can
25 find with the argument so far and the only exception I would

1 take would be whether or not it ought to be a bipartisan
2 effort and whether or not that is going to accomplish it or
3 whether that is going to further get us away from the
4 accomplishment. Because I think that what is lacking is
5 party discipline, and we could get two more Republicans, at
6 the most five more Republicans, to do just exactly the
7 reforms that need to be done. And it seems to me like we
8 Republicans have been avoiding a responsibility that we have
9 had, and that we showed in 1981 that we could accomplish.
10 And I see bipartisanism this year developing into a
11 smokescreen for covering up or for camouflaging an effort to
12 spend more money.

13 I think what we need to do is look not in terms of taxes
14 and borrowing and debt, as if they are two separate issues,
15 but look at them as one and the same; and they are the public
16 levy for our fiscal irresponsibility. Whether it is
17 borrowing or whether it is taxes, it is coming out of the
18 taxpayer's pocket either today or 50 years from now to cover
19 our irresponsibility today. And that public levy is going to
20 be the same whether it comes through borrowing by itself or
21 through taxes by itself or whether a combination of both.
22 But it is still a public levy, and until we can get the
23 public levy down -- and the only way I know to get the public
24 levy down is to get spending down. And we forget that either
25 increasing taxes or a combination of increasing taxes with

1 cutting expenditures just will not get the job done.

2 During the last half of the decade of the '70s we
3 increased taxes fantastically, and it did not reduce the
4 deficit any. We had growing deficits, as we have growing
5 deficits now.

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1 And we made an effort last year to raise taxes \$1 for
2 every \$3 and adjusted expenditures, and we ended up getting a
3 \$2 increase in taxes for every \$1 adjustment in expenditures,
4 so that did not accomplish the goal, and I think what we need
5 to do is take an historical look, because, as George
6 Santayana said, those who do not learn from history are
7 destined to repeat its mistakes, and between 1789 and today,
8 or between 1789 and about 1965, when we started on the
9 philosophy that we could have both guns and butter, this
10 government, except in times of war and extreme national
11 emergency, over a long period of time, operated within its
12 income, and those times when we did borrow we were either
13 borrowing to protect our freedoms or to protect our nation,
14 or we were borrowing as an investment in this nation, but in
15 the last decade and a half we have been borrowing for
16 everyday living.

17 So, what is wrong is, we have been living too high on the
18 hog, so that we in our generation can somehow have a good
19 living, and let future generations pay for it. Now, I think
20 we have to start looking in terms of what the public levy is
21 and who is paying for the public levy, and we have got to do
22 those things to get the public levy down, not just to get
23 taxes down, or not just to get expenditures down, but to find
24 out the historical cause of where we are today.

25 And the historical cause of why we are where we are today

1 is because we have been irresponsible on the spending side,
2 not on the levying side.

3 The Chairman: Senator Boren?

4 Senator Boren: Mr. Chairman, I would just say, I think
5 the Senator from Iowa is on our side, but I hope he does not
6 take it amiss if I think the spending and entitlements ought
7 to be controlled, too. I have never been criticized for
8 being bipartisan before, but anyway, I am encouraged by most
9 of what I have heard around this table. I am encouraged that
10 there have been some positive comments on both sides, and
11 from people in both parties, and at least the statement that
12 we need to have the courage to address the automatic
13 escalators in the entitlement provisions if we are going to
14 get these deficits under control, and I think that is a very
15 healthy first step, and I hope we see the day when we can
16 deal with this, and I would urge the members of the Committee
17 to think about it long and hard in terms of what is possible
18 in terms of getting these deficits down.

19 And at this time, Mr. Chairman, again, I feel a very
20 hopeful reaction in terms of what we have heard around the
21 table. Senator Danforth and I do intend to return to this.
22 I said we have both agreed in order for you to get a vote,
23 and I know that you want to do that right now, so I will do
24 no more except to say that Senator Danforth and I do now
25 withdraw our amendment, so that we do not delay you going

1 immediately to a vote on the other legislation.

2 The Chairman: I wonder if we might not now vote on the
3 debt ceiling.

4 Mr. De Arment: This is to report out the debt ceiling
5 bill without amendment.

6 Mr. Packwood.

7 The Chairman: Aye.

8 Mr. De Arment: Mr. Roth.

9 Senator Roth: Aye.

10 Mr. De Arment: Mr. Danforth.

11 Senator Danforth: Aye.

12 Mr. De Arment: Mr. Chafee.

13 [No response.]

14 Mr. De Arment: Mr. Heinz.

15 Senator Heinz: Aye.

16 The Chairman: Mr. Chafee, aye. Excuse me.

17 Mr. De Arment: Mr. Heinz.

18 Senator Heinz: Aye.

19 Mr. De Arment: Mr. Wallop.

20 [No response.]

21 Mr. De Arment: Mr. Durenberger.

22 Senator Durenberger: Aye.

23 The Chairman: Mr. Wallop, aye.

24 Mr. De Arment: Mr. Armstrong.

25 [No response.]

1 Mr. De Arment: Mr. Symms.
2 [No response.]
3 Mr. De Arment: Mr. Grassley.
4 Senator Grassley: Pass.
5 Mr. De Arment: Mr. Long.
6 Senator Long: Aye.
7 Mr. De Arment: Mr. Bentsen.
8 Senator Bentsen: Pass.
9 Mr. De Arment: Mr. Matsunaga.
10 [No response.]
11 Mr. De Arment: Mr. Moynihan.
12 Senator Moynihan: Pass.
13 Mr. De Arment: Mr. Baucus.
14 Senator Baucus: No.
15 Mr. De Arment: Mr. Boren.
16 Senator Boren: Pass.
17 Mr. De Arment: Mr. Bradley.
18 Senator Bradley: Aye.
19 Mr. De Arment: Mr. Mitchell.
20 Senator Mitchell: Yes.
21 Mr. De Arment: Mr. Pryor.
22 Senator Pryor: No.
23 Mr. De Arment: Mr. Chairman.
24 The Chairman: Aye.
25 Senator Moynihan: Mr. Chairman, before the vote is

1 tallied, I think there are members here present who would be
2 willing to vote aye if there was nobody voting pass.

3 Senator Boren: Change me to no, Mr. Chairman.

4 Senator Bentsen: Vote Bentsen no.

5 The Chairman: We do not want to happen what happened to
6 Danforth when he was having lunch.

7 The yeas are eleven, the nays are five.

8 If we could just complete one other order of business,
9 which I do not think will take too long --

10 Senator Long: Mr. Chairman, I am willing to meet
11 tomorrow. We have got a Democratic caucus going on. I want
12 to attend it.

13 The Chairman: I think that is probably an appropriate
14 request. I wonder if we might come back then at 2:30. What
15 I propose to do -- I will just make it clear so there will
16 not be any -- is to offer a Committee amendment which would
17 include the withholding issue along with the Caribbean Basin
18 enterprise zones and reciprocity. Now, there may be others
19 who want to amend that, but those three we can justify
20 because we have passed reciprocity in the Senate. We have
21 had hearings and a markup on all three measures, reciprocity,
22 enterprise zones, and the Caribbean Basin, and I am not as
23 discouraged as Senator Long. I think there is a good
24 possibility that we can succeed in some of these areas in a
25 House-Senate conference.

1 So, if we could come back at 2:30, I do not think it will
2 take very long.

3 Senator Long: Mr. Chairman, I just want to make it clear
4 to you that in my judgment if you do that you are not going
5 to have a conference any time soon, but I might be in error.
6 I would urge the Chairman to communicate with Chairman
7 Rostenkowski to get the best intelligence he can as to
8 whether he is in a position to predict that we will even have
9 a conference on that measure.

10 The Chairman: I will try to do that, but again, as
11 Chairman Long knows, you cannot let the House dictate what
12 the Senate does.

13 Senator Long: I mean, I am not Chairman. I learned that
14 some time ago.

15 The Chairman: I understand that.

16 Senator Long: But I would hope that our Chairman would
17 undertake to get the best intelligence he can on whether we
18 are going to obtain prompt action on that measure if we put
19 those measures on there, because my fear, and I think history
20 will be prove me right on this, is that nothing is going to
21 happen for a long time to come if you do that.

22 Senator Poth: Mr. Chairman, I would like to say that I
23 do intend to bring up the provisions of the sunseting and
24 the mortgage law on these Committee amendments.

25 [Whereupon, at 12:28 p.m., the Committee was recessed, to

1 reconvene at 2:50 p.m. of the same day.]
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1 AFTERNOON SESSION

2 The Chairman: As I understand, there has been objection
3 raised to our meeting. Is that correct?

4 Mr. De Arment: That is correct, Mr. Chairman.

5 The Chairman: I am uncertain as to whether it is
6 appropriate for somebody to raise that objection, but we will
7 abide by that, but we can meet tomorrow morning?

8 Mr. De Arment: Yes.

9 The Chairman: At 10:00 o'clock?

10 Mr. De Arment: At 10:00 o'clock.

11 The Chairman: But there is one thing we can act on
12 unofficially, because it is something that Senator Long
13 raised, and in fact offered an amendment. That amendment was
14 not agreed to, but I understand since that time there has
15 been some resolution to that, and what we might do is explain
16 it now, and then tomorrow morning we could go ahead and make
17 any changes.

18 Senator Long: But of course even if we cannot meet
19 tomorrow morning, Mr. Chairman, you could offer it on behalf
20 of the majority of the Committee. You could offer the
21 amendment.

22 Mr. Chapoton: The suggestion by Senator Long -- It was
23 not defeated. He withdrew the amendment. The suggestion
24 related to, and again we are talking about the Caribbean
25 Basin Initiative, related to the point that in the present

1 bill as presented by the Administration and as adopted by the
2 Committee, the North American Convention treatment is
3 available only if there is an agreement entered into calling
4 for complete and full exchange of information to the country
5 who would be entitled to the North American Convention
6 treatment, and the United States.

7 The suggestion has been made to us that we be allowed --
8 that we provide for authority for the President on national
9 security grounds to accept -- to waive for a time information
10 with respect to civil tax matters, but the requirements would
11 still remain for any drug-related matters or criminal tax
12 matters specifically.

13 The requirement that the exchange of information
14 agreement supersede provisions of local law regarding bank
15 secrecy and bearer shares could be waived in the case of
16 information sought for civil tax purposes if the President
17 determines that such an exception to the standards for
18 exchange of information agreement is in the national security
19 interests of the United States, and if the Secretary of the
20 Treasury determines that an exchange of information agreement
21 satisfying this modified standard would assist the
22 Administration in enforcement of U.S. tax laws.

23 That would be it, in effect. If those findings were
24 made, then we could waive the exchange of civil information
25 of civil tax matters, the exchange of information on civil

1 tax matters.

2 Senator Long: That partly meets what I have in mind, and
3 to the extent that you can do that, it is an improvement, I
4 think, on the bill. I mean, my thought is that when you go
5 to enforce that provision to make those foreign countries
6 divulge information, they might tell you that, well, now, we
7 can give you most of what you want, but if we give you all of
8 what you want, it is going to be irreparable injury to our
9 economic interests or whatever, so if you are going to insist
10 on it, we just cannot abide by that provision, but we are
11 willing to go 70 percent of the way or 80 percent of the
12 way. We just cannot go all the way with you, because if we
13 did, it would create so many problems it is just not worth
14 it. That is just inflexibility. Insofar as we could
15 increase the flexibility, so much the better.

16 The Chairman: Again, we are meeting here informally, but
17 as Senator Long points out, the majority of the Committee can
18 offer a Committee amendment, and we can modify the Committee
19 amendment. I would like to meet again tomorrow morning at
20 10:00. I understood that Senator Grassley also had a
21 clarification, and then I understand Senator Matsunaga and
22 Senator Symms had some amendment that might come to the
23 Caribbean Basin on Philippine sugar, but I do not know enough
24 about that amendment to even consider it informally, but we
25 will take a look at it between now and tomorrow morning.

1 Senator Roth, do you want to raise yours? Well, you can
2 raise it now. But we will bring it up again in the morning.

3 Senator Roth: That is all right. I will bring it up in
4 the morning.

5 Senator Grassley: Any understanding we make at a meeting
6 like this would be for the record?

7 The Chairman: I doubt that legally we could even keep a
8 record, but we have been. No one could object to that. We
9 are really not meeting.

10 Senator Long: We would still have to pay for it.

11 Mr. De Arment: Any matter acted on here would be subject
12 to a point of order, but a clarification.

13 Senator Grassley: I can appreciate that, and I am not
14 asking for anything really to be acted upon, because I think
15 at the staff level things that were worked out satisfy me
16 pursuant to the amendment that I offered last week, and then
17 I withdrew, and I withdrew it because the Chairman said we
18 could work something out, and I think that that has been done.

19 It is my understanding that we are going to be able to
20 put a strong statement in the record of intentions to pursue
21 all countries for just compensation of expropriated American
22 properties, and I have some proposed language that has been
23 worked out, and so I am satisfied that if there is no
24 objection by anybody on the Committee to that, that that will
25 satisfy me.

1 And then I have also been assured that I would be
2 provided with a letter for the record of the Administration's
3 intent to pursue these matters before the countries who would
4 be named a beneficiary country under the Caribbean Basin
5 Initiative and particularly to state in the letter that
6 Panama would receive no waiver until its cases have been duly
7 satisfied.

8 It is my understanding that we will be provided a letter
9 for final approval that satisfies my concerns on this. In
10 fact, I have just been informed that I have the letter, it
11 has already been written, and that it does take care of the
12 problems I had. And so based on those understandings, Mr.
13 Chairman, and I assume that if there is any disagreement on
14 anybody's part against that, I would be notified of it before
15 the bill would be voted out, but short of that, I do not see
16 any need to pursue my amendments, and will not.

17 And I suppose as we go down the legislative process, if
18 there would be a disagreement to the assurances I have been
19 given, then I would pursue my amendment, but short of that, I
20 will not have to.

21 The Chairman: We will meet again tomorrow at 10:00. We
22 will ratify -- not ratify -- we will take action at that time
23 on the clarification on the Bermuda amendment and also on the
24 point raised by Senator Grassley.

25 Senator Matsunaga, I have just explained, someone

1 objected to our meeting this afternoon, but if there is just
2 some question you want to raise to give the staff a chance to
3 look at it between now and tomorrow morning, this might be a
4 good chance to raise that. I mentioned you had an interest
5 in one amendment, you and Senator Symms.

6 Senator Matsunaga: Well, I would like to raise this
7 question. Am I correct in my understanding that under this
8 legislation, the Dominican Republic will receive a duty free
9 sugar quota of about twice the present U.S. sugar quota, and
10 this duty free quota which will amount to approximately
11 one-third share of the projected annual U.S. sugar imports
12 needs, and does this not represent a substantial shift away
13 from our historical sugar suppliers, and I am referring, of
14 course, to the Philippines, which is the oldest supplier of
15 sugar to the United States and whose quota has been reduced
16 considerably, to the point where they would be receiving
17 under the quota given to the Dominican Republic -- I have the
18 figures here, but anyhow, if you might answer that first
19 question.

20 The Chairman: I am not certain there is anybody here
21 qualified to answer the question.

22 Senator Matsunaga: Does anybody want to take a stab at
23 it?

24 Mr. Gingrich: Mr. Chairman, I am not familiar with the
25 statistics Senator Matsunaga cited. You are correct in the

1 sense obviously that there has been a shift away from the
2 Philippines as a source of imports over the last 50 years.
3 Cuba and the Philippines were the predominant suppliers of
4 imported sugar to the United States 50 years ago. The
5 pattern of supply has changed over the last half-century, and
6 indeed it may have shifted a little bit even in the last ten
7 years.

8 Senator Matsunaga: Cuba I can understand, but of course
9 the Philippines has been our ally in peace and in war and in
10 peace again, and that is a hell of a way to treat an ally and
11 friend, I would think. So, you can expect an amendment, Mr.
12 Chairman.

13 The Chairman: As I understand, there is some amendment
14 floating around which I have asked the staff to look at, and
15 they will be prepared to address that tomorrow morning.

16 Senator Matsunaga: Fine, because the figures I have here
17 show that in the last 20 years, the Philippines exported to
18 the United States 20,724 short tons raw value, and the
19 Dominican Republic 13,741 short tons, the 20-year average
20 being 1,036 tons for the Philippines -- I am sorry, that
21 would be in the thousands, so it would be 1,036,000 tons, and
22 the Dominican Republic, 687,000 tons, and yet the quota
23 assigned under this bill would leave the Philippines 378,000
24 tons, and the Dominican Republic 493,000 tons, so that the
25 percentage of the 20-year average would be only 36 percent

1 for the Philippines and 72 percent for the Dominican
2 Republic.

3 So, I would think that the Philippines should get a
4 better share, a better treatment.

5 Mr. Lang: Senator Matsunaga, I think I can be helpful on
6 the first part of your question. Under the legislation, it
7 is correct that a duty-free quota of 780,000 metric tons
8 would be assigned to the Dominican Republic. However, the
9 Administration bill also provides that the President can
10 never permit more sugar to come in from any CBI beneficiary
11 country than would be permitted under either the headnote
12 authority or Section 22 authority, that is, laws necessary to
13 defend the domestic price support programs.

14 Under those laws, the quotas on Dominican sugar are much
15 lower than 780,000 metric tons. I would have to check with
16 the Administration to find out exactly what the number is.
17 So that as long as the current quota stays in effect, the
18 Dominican Republic would not be permitted under the
19 Administration bill to send us the full amount of 780,000
20 metric tons. However, you are correct that if those quotas
21 went up, or were removed, and they were only put in place a
22 year ago, then the Dominican Republic under the bill would be
23 permitted, or might be, the full 780,000 metric tons.

24 I think that is helpful on the first part of what you
25 asked me.

1 Senator Matsunaga: I have 493,000.

2 Mr. Lang: That is about right. That would be about 17
3 percent of the current quota on all sugar worldwide. That is
4 roughly their share of the worldwide quota that is now in
5 effect under the headnote authority.

6 Senator Matsunaga: Where is the Nicaraguan quota going?

7 Mr. Lang: The Nicaraguan share was reduced by the
8 Administration a couple of weeks ago. They were exporting to
9 the United States an annual amount of about 55,000 or 56,000
10 tons. It was reduced to 6,000 tons a few weeks ago.

11 Senator Matsunaga: So where is the 50,000 tons being
12 allocated? Do you know?

13 Mr. Gingrich: It has been redistributed to several small
14 Caribbean suppliers effective October 1.

15 Senator Matsunaga: So the 50,000 tons have been
16 allocated to other Caribbean nations?

17 Mr. Gingrich: I think the figure was 38,000 tons to
18 6,000 tons, so we are talking about 32,000 tons of sugar
19 redistributed among three small suppliers.

20 Senator Matsunaga: So that has already been done.

21 Mr. Gingrich: It will be effective October 1st this
22 year. It has been announced by the President, but not
23 implemented.

24 The Chairman: I wonder if we might not do this. Let us
25 get the information on what may be proposed. I know Senator

1 Symms gave me some material this morning which I have not
2 looked at and may have a chance to look at between now and
3 tomorrow morning. We are not really meeting now. So we are
4 just discussing this, and maybe we can get the facts together
5 and make some determination. I hope we do not start getting
6 into a sugar quota assignment in this Committee. I have been
7 through that enough times. It is a pretty fast track,
8 believe me.

9 Senator Matsunaga: We served together on the Agriculture
10 Committee in the House, if you recall. And while doing that,
11 Mr. Chairman, I would suggest that perhaps the Administration
12 ought to examine the implications of the CBI sugar provisions
13 as it would affect our staunch ally and friend over the
14 years, the Philippines.

15 The Chairman: Who has that responsibility? You are not
16 handling sugar quotas in USTR?

17 Mr. Gingrich: To the extent they are involved in this
18 bill, we are. Yes, sir. We will get a USDA person up here
19 also.

20 The Chairman: Well, we need USDA and other experts in
21 the area. There is still one sugar expert, I think, down
22 there.

23 Well, the non-meeting, then, will be recessed until
24 tomorrow morning at 10:00 o'clock.

25 [Whereupon, at 3:06 p.m., the Committee was recessed, to

1 reconvene at 10:00 a.m. of the following day, Wednesday, May
2 25, 1983.]

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