

OFFICIAL TRANSCRIPT

COMMITTEE ON FINANCE

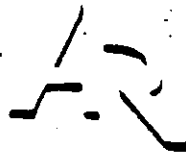
UNITED STATES SENATE

EXECUTIVE SESSION

WASHINGTON, D. C.

September 15, 1981

ALDERSON



REPORTING

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EXECUTIVE SESSION

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TUESDAY, SEPTEMBER 15, 1981

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

The committee met, pursuant to call, at 11:05 a.m., in room 2221, Dirksen Senate Office Building, Hon. Robert J. Dole (chairman of the committee) presiding.

Present: Senators Dole, Packwood, Danforth, Chafee, Heinz, Wallop, Armstrong, Symms, Long, Bentsen, Moynihan, Baucus, Bradley, and Mitchell.

The Chairman: The committee will come to order.

Senator Wallop: Mr. Chairman, if I may, Senator Grassley was here, and he left a statement which he asked be inserted in the record, which I gave consent to since I was the only one around. He also asked to be positioned on the votes that are coming, should they come.

[Statement of Senator Grassley follows:]

1           The Chairman: As I understand, the first order of  
2 business is the report of the nomination of Alfred M. Eckes,  
3 Jr., to be a Commissioner of the United States International  
4 Trade Commission. Those hearings were held this morning.  
5 It is a matter that has been pending for several months.  
6 Senator Wallop conducted those hearings. As far as I have  
7 been notified by staff, he has met all the requirements as  
8 far as the Office of Ethics is concerned.

9           Do you recommend that we report that nomination?

10          Senator Wallop: Nothing was raised in the hearings  
11 this morning that would tend to indicate any problem at  
12 all.

13          The Chairman: You don't have any objection to  
14 reporting that nomination?

15          [No response.]

16          The Chairman: Without objection, we will report the  
17 nomination.

18          Senator Moynihan: Mr. Chairman, could I simply say as  
19 a positive note that Mr. Eckes is a distinguished man, and  
20 will do credit to the commission, as I am sure the chairman  
21 feels.

22          Senator Long: I suggest that we do it by motion. I  
23 move that the nomination be reported.

24          The Chairman: All in favor say aye.

25          [Chorus of ayes.]

1 The Chairman: Opposed, no.

2 [No response.]

3 The Chairman: The nomination will be reported.

4 Another purpose of this meeting was to take action on  
5 the temporary ceiling on the public debt. The Reagan  
6 Administration wants to increase the debt to \$1,079.8  
7 billion, which should be sufficient to cover the  
8 government's financing needs through September 30, 1982.  
9 The Treasury Department has estimated that the present limit  
10 of \$985 billion will be exceeded on September 30, and  
11 accordingly the Administration is requesting that the  
12 present limit, which is valid through September 30, be  
13 raised to \$998 billion, an increase of \$14.8 billion; is  
14 that correct?

15 Mr. Lighthizer: Yes, Mr. Chairman, that is for Fiscal  
16 Year 1981, and that basically is the same as H.J. Res. 266  
17 that we reported the tax bill out on.

18 The Chairman: The hearing we had was on H.J. Res. 265,  
19 and what does that provide for?

20 Mr. Lighthizer: That is \$1,079.8 billion, which is the  
21 overall figure that the Treasury requested through FY-1982,  
22 and that is the only bill that is in committee right now.

23 The Chairman: As I understand, when we had the  
24 hearings I was present, and I know Senator Harry Byrd was  
25 present, Senator Packwood presided, and other members may

1 have been present for part of the hearings. Are there any  
2 questions?

3 Let me say at the outset that there may be some who may  
4 want to offer amendments on the floor, maybe some on both  
5 sides. I am not certain what the amendments are. However,  
6 I do know that we need to move quickly if we are going to do  
7 what we have done in the past to meet our obligations come  
8 October 1.

9 Senator Long: Mr. Chairman, I want to make a couple of  
10 suggestions. One of them is that we ask the Treasury to  
11 provide the same information that I have requested down  
12 through the years, and bring it up to date. They have  
13 provided us with a group of charts, long charts that  
14 indicate what the net debt is as compared to the gross  
15 debt. They provide a lot of information that people might  
16 find useful one way or another. They help to show what the  
17 whole picture is.

18 If there is no objection, I would like to ask that the  
19 Treasury be requested to update that information, so that it  
20 can be put into the record in connection with this issue.

21 The Chairman: Yes, that is helpful material, and we  
22 will ask that that be done.

23 Senator Long: I would like to make one other  
24 suggestion. It seems to me that it serves no purpose to  
25 have this so-called permanent debt at \$400 billion, and a

1 temporary debt of \$585 billion. In fact, I think that this  
2 tends to defeat its own purpose.

3       It may be that at some point that the Congress might  
4 just want to say, to try to achieve a balanced budget, that  
5 we may want to stand fast and just not vote for a debt limit  
6 above a certain figure, or to limit the amount of spending  
7 by way of the debt limit. This was, after all, the whole  
8 purpose of the debt limit.

9       When we have a permanent debt limit of \$400 billion,  
10 and a temporary debt of \$585 billion, it destroys any  
11 potential. I am not seeking to do this, but if at some  
12 point the Congress wanted to say, "Look, you are going to  
13 have to live within what we are providing to you. We are  
14 not going to give you an increase. You are going to have to  
15 live on what you have got."

16       If that were the case, it could not be done under this  
17 law, because under this law they couldn't spend anything.  
18 They would revert back to the \$400 billion permanent, and  
19 they could not spend five cents. They could not even spend  
20 what they are taking in.

21       Senator Symms: Let's do it now.

22       Senator Armstrong: If the Senator would yield, I agree  
23 with the Senator from Idaho. I, once when I was a Member of  
24 the House, sought to do exactly what the Senator suggests.  
25 I think you are right, and let's do

1 it.

2       Senator Long: If there are going to be any amendments,  
3 I would suggest that we do that. It might give the Senator  
4 a problem by putting an amendment at this point. But I  
5 would hope that we could consult with the House, and say,  
6 "The next time you have to send this thing over here, here  
7 is how we want it."

8       The Chairman: I think the latter might be the better  
9 course to follow. I am not certain whether there will be  
10 amendments, but I would rather not make that change. I  
11 think it should not be made without at least some  
12 consultation with the House, and some consultation with the  
13 Treasury.

14       Senator Long: Would the chairman be willing to  
15 initiate something along that line, where we could meet to  
16 discuss that with the Treasury, and with those in the House,  
17 because it seems to me that this is how it ought to be. We  
18 ought to stop this foolishness.

19       I was around at the time we started this temporary  
20 thing. Harry Byrd, Sr., was the chairman of the committee  
21 at that time, and he really had the belief that if we had  
22 just a temporary increase, we were going to get them back  
23 down from this figure. That was a forlorn hope. It did  
24 not work out that way at all. I think that now it tends to  
25 defeat its own purpose.

1           The Chairman: If, in fact, there will be amendments  
2 offered, and if, in fact, any amendments would be  
3 successful, then we may even want to do it when it reaches  
4 the floor. That would give the chairman some time to  
5 discuss it with Treasury, and also with chairman of the  
6 House Ways and Means Committee.

7           Senator Long: That would be fine, as far as I am  
8 concerned because I was not even counting on that. But if  
9 it is going to be amended, then I would suggest that we  
10 offer such an amendment because I think that in the long run  
11 it is no achieving any purpose at all, it is just defeating  
12 its purpose.

13          The Chairman: The Senator from Colorado.

14          Senator Armstrong: Mr. Chairman, I have one question,  
15 and then I would like to discuss briefly an amendment which  
16 I will offer on the floor.

17          My question is, are we, in the proposed increase,  
18 reaching the figure which the Administration says is  
19 necessary to take us through the entirety of the next fiscal  
20 year?

21          The Chairman: That is my understanding. It was their  
22 testimony.

23          Senator Armstrong: I was not able to be present on  
24 Friday, I was travelling. I just wanted to establish that  
25 this is the last time that we would be asked to raise this



1 prior to the end of Fiscal Year 1982.

2       The Chairman: There will not be another opportunity  
3 until right before the election next year.

4       [General laughter.]

5       Senator Armstrong: Mr. Chairman, I also would like to  
6 take a moment just to advise the members of the committee  
7 that I will offer an amendment on the bill on the floor, an  
8 amendment which would not be in order under our rules in  
9 committee, but which the Parliamentarian assures me is in  
10 order on the floor. The amendment is simply to enhance the  
11 power of the President to manage the nation's financial  
12 affairs.

13       Some years ago, as members of the committee will  
14 recall, Congress acted unwisely, in my judgment, to restrict  
15 in a very severe manner the power of the President not to  
16 make expenditures which, because of changing conditions or  
17 circumstances, need not be spent.

18       All through history, back to the days of Thomas  
19 Jefferson, Presidents have exercised limited discretion to  
20 simply not spend appropriated amounts. Under the terms of  
21 the Impoundment Act, which we put in seven years ago, we now  
22 say that the President must send a rescind message to the  
23 Congress saying that if no action is taken by Congress, the  
24 money must be spent, whether it is needed, whether the  
25 circumstances have changed, whether or not the economic

1 conditions warrant the expenditure, no matter what.

2       As a matter of fact, this has not worked out very well,  
3 and 85 percent of the rescissions which have been forwarded  
4 to Congress by Presidents Nixon, Ford, and Carter have been  
5 turned down by the Congress, most of them have been ignored,  
6 and many of them have never even been considered in  
7 committee, let alone on the floor of either House.

8       So it is clear to me that a change is necessary, and  
9 the amendment which I will offer simply reverses the  
10 presumption. It says that when the President sends a  
11 rescission message, Congress retains the power to make a  
12 decision, but if no action is taken then the rescission goes  
13 into effect.

14       Ordinarily I would seek to offer this amendment now so  
15 that it could be considered by the committee. But it is my  
16 belief and understanding from the Parliamentarian that it is  
17 not within the jurisdiction of this committee and,  
18 therefore, would put the committee in an awkward position if  
19 I were to raise it today.

20       The Parliamentarian has assured my staff that such an  
21 amendment would not be subject to a point of order on the  
22 floor, and I just wanted to let the committee know of my  
23 intention, and to ask the support of the members for this  
24 thought. Certainly, this particular bill, in which we are  
25 asked to reach a trillion dollar debt limit, is a very

1 symbolic and appropriate place to put this kind of a  
2 measure.

3       One last thought. Important though I think this  
4 management reform is, I would not want the members of this  
5 committee to think for a minute that I believe that it is a  
6 substitute for congressional policy-making on the budget or  
7 for restraining spending. I think it will have an effect on  
8 the margin. It will save a few billion every year.

9       I would hope that we would save five, ten billion  
10 dollars a year as a result of enhancing the President's  
11 rescission authority, but it is certainly not a  
12 substitute, and it is not intended to be a substitute for the  
13 budget process.

14       Senator Moynihan: Mr. Chairman.

15       The Chairman: Senator Moynihan.

16       Senator Moynihan: Mr. Chairman, not in jest whatever,  
17 but having for four and a half years now struggled with the  
18 problem excess spending on water projects in the West, and  
19 knowing the degrees to which the President wished to get rid  
20 of them, and things like the Tennessee Tom Bigby, I think  
21 the Senator from Colorado's proposal would be ideal. We  
22 could get rid of the farm program like that.

23       The Chairman: They do that today without any help.

24       Senator Moynihan: They do that today. Then we would  
25 not have those dams. We could get rid of them. Tennessee

1 Tom Bigby would disappear overnight. It is an opportunity  
2 to clean up the Federal agenda.

3 I have one question I would like to ask you, I would  
4 just like to have that debate.

5 Senator Wallop: If the asides are just going aside,  
6 one would have to say that they have spent more on the  
7 subway system in Washington than they have in this century  
8 on water projects in the West.

9 Senator Moynihan: That would go, too.

10 Senator Wallop: I don't quarrel with that. I am just  
11 pointing out that there are a lot of things that can go.

12 Senator Moynihan: I just wish that when we make these  
13 rules, we understand that when the party in the majority in  
14 this body gives the President these powers, they should  
15 provide that they are only to be exercised while that  
16 President remains a member of their party, because it always  
17 has just the opposite impact, and we never anticipate that  
18 there is going to be a change.

19 Senator Armstrong: Would the senator yield for a  
20 moment, since you raise the point and it is an interesting  
21 one.

22 Senator Moynihan: I will be happy to yield.

23 Senator Armstrong: I would just like to recall, as  
24 some members of this committee have reason to remember, that  
25 my interest in giving the President enhanced rescission

1 authority did not arise when Ronald Reagan came into the  
2 White House, but in fact I suggested it and urged it upon  
3 the Senate during the prior Administration.

4 I would be hopeful that the Senator from New York and  
5 others would not view it in any sense as a partisan issue.  
6 Any President ought to have some limited discretion. It is  
7 not a question of giving it to Ronald Reagan. It is a  
8 question of giving to the President of the United States the  
9 authority that every governor has, every mayor has, every  
10 chief executive of any corporation has.

11 It is not an unlimited grant of authority. It is not  
12 the authority to wipe out the subway systems, or dams. It  
13 is a quite carefully constrained authority, much less than  
14 the discretion which Presidents always exercised from the  
15 time of Thomas Jefferson to Richard Nixon.

16 As I say, it does not matter to me whether the  
17 President is a Democrat, a Republican, a member of my party,  
18 or whatever. Any executive ought to have a reasonable  
19 amount of flexibility.

20 Senator Moynihan: My friend from Colorado does not  
21 seem to understand that we thought that the Budget and  
22 Impoundment Act provided that Ed Muskie would always be  
23 Chairman of the Budget Committee. That was just a given,  
24 and we did not look at the details.

25 Senator Chafee: Is there any further discussion on

1 this proposal?

2 Senator Moynihan: Yes, I would like to ask a question,  
3 Senator Chafee.

4 The Assistant Secretary said to us that in requesting  
5 the figure of \$1.074.9 that that would leave a margin of  
6 error at the end of the fiscal year of \$4.9 billion of  
7 unused borrowing authority, and that this would come about  
8 in the context of a \$42.5 billion deficit.

9 If I may just repeat for the chairman.

10 The Chairman: I want to apologize, but we were having  
11 a vote on the O'Connor nomination, and I did not want to  
12 vote by proxy. I wanted to vote in person.

13 Senator Moynihan: Properly so.

14 Mr. Chairman, the Assistant Secretary testified that  
15 they wanted the precise figure of \$1.074.9 because that  
16 would meet the borrowing requirements for the fiscal year,  
17 and leave a margin of unused borrowing authority of \$4.9  
18 billion at the end of the year. This predicates a deficit  
19 in Fiscal '82 of \$42.5 billion.

20 Mr. Chairman, we are not going to have a \$42.5 billion  
21 deficit. We are going to have a \$60 billion deficit.  
22 Sixty-five billion is the CBO estimate. Are we acting  
23 responsibly, or is the chairman's wish that we have this  
24 issue up before us a year from now, which will be fine, I  
25 suppose, by us.

1           The Chairman: I am not certain what the deficit may  
2 be. We have had a lot of discussions. I have read a lot  
3 about what it may be next year. They had a meeting this  
4 morning at the White House on what might be done to make  
5 certain that it is \$42.5.

6           I just suggest that the Treasury has indicated that  
7 they can reach the next fiscal year with this figure, and I  
8 hope they can. If not, I assume that we will be back  
9 earlier than we expected to come back under normal  
10 circumstances.

11          Senator Moynihan: I can see how it would not be  
12 possible for the Assistant Secretary of the Treasury to come  
13 up and say anything other than the \$42.5.

14          The Chairman: That occurred to me. That \$42.5 may or  
15 may not be a magic number.

16          Senator Moynihan: It is a magic number.

17          The Chairman: It is a hope, but I am not certain that  
18 it is magic.

19          Senator Bradley: Mr. Chairman, could I ask the staff  
20 to tell us what is the interest rate level that is assumed  
21 in the debt ceiling increase.

22          Mr. McConaghy: My understanding is, Senator Bradley,  
23 that it is 11 to 12.5 percent average for the year.

24          Senator Bradley: An 11 to 12.5 percent average for  
25 Fiscal Year 1982. Mr. Chairman, that concerns me because I

1 think that is the exact number that probably will not be  
2 consistent with the assumptions. For roughly every one  
3 percent higher it is, you have another \$5 billion that it  
4 will cost and, therefore, \$5 billion more on the deficit.

5 I wondered if in addition to considering the budget  
6 cuts, which we will when the President sends them up, it  
7 wouldn't be prudent for us at this time to also place on  
8 this debt limit bill a kind of contingency which would say  
9 that we recognize that deficits are caused by spending, but  
10 also by tax reduction, and that if the deficit exceeded the  
11 amount projected by the Administration for Fiscal Year, or  
12 the interest rate was much higher and, therefore, there was  
13 a loss of revenue because of that, you would adjust the tax  
14 cut that would go into effect in the summer of 1983  
15 accordingly.

16 This is similar to an amendment that I offered during  
17 the course of the tax debate. Again, I would suggest that  
18 it is offered in the spirit of trying to say that there are  
19 two ways to come at this problem, and it is better to have  
20 something in place that you can say you did out of prudence,  
21 than it is to come rushing in at the last minute and say,  
22 now we are going to raise taxes, raise user fees, or now we  
23 are going to drastically cut the budget.

24 Therefore, Mr. Chairman, I would intend to offer an  
25 amendment which would provide for a contingency in the tax



1 cut going into effect in 1983, so that if the interest rate  
2 figure was higher than what the Administration projected  
3 and, therefore, revenues had to go out that much greater,  
4 there would be a concomittant reduction in the tax cut that  
5 would go into effect in the summer of 1983.

6 The Chairman: You intend to offer that on the floor?

7 Senator Bradley: I intend to offer it on the floor,  
8 yes. I was thinking that I might offer it here today as  
9 well.

10 The Chairman: You can. I think there has been a lot  
11 of discussion. I don't think we ought to have any more  
12 recess, I think that is what happened. Everybody went home  
13 and left the press here alone, and they started talking  
14 about making this all retroactive.

15 When I get in my car in the morning, I have to start it  
16 before it moves. We have not even started. The effective  
17 date is October 1 for the tax cut and the spending  
18 reduction, and already there are efforts underway to repeal  
19 it. I don't quarrel with anyone's right to make those  
20 suggestions.

21 I have enough confidence that it is going to work. If  
22 it doesn't, then I will move over -- I don't know which way  
23 I will move, but probably one way in the next couple of  
24 years, but I don't want to move yet. If that is the case, I  
25 might as well move now and say, it is a failure, let's don't

1 have another election.

2       Certainly, you can offer that amendment now if you  
3 wish. I have not even gotten my fountain pen yet from the  
4 signing ceremony, and you already want to repeal the bill.  
5 They may want my fountain pen back.

6       [General laughter.]

7       Senator Bradley: Mr. Chairman, I am not talking about  
8 repealing the bill. I am talking about, if the economy  
9 really deteriorates in Fiscal '81, whether we shouldn't have  
10 thought in advance what we might do about the budget deficit  
11 in Fiscal '83. The tax side is one side that you have got  
12 to consider as well as the budget, as the Administration  
13 clearly stated when they suggested that we raise certain  
14 taxes.

15       The Chairman: If the Senator would like to offer that,  
16 I don't have any objection. There have been some on each  
17 side talking about gloom and doom, and a lot of problems.  
18 Certainly there are some, but nothing has changed much since  
19 we left for the recess, except that there are a lot of  
20 indications that we ought to undo what we have done. I  
21 don't agree with that, but if you would like to modify the  
22 tax bill with that amendment, I will be happy to consider  
23 it.

24       Senator Bradley: Could you tell me when would we  
25 consider the debt limit bill on the floor; it has to be

1 before October 1st, right?

2 The Chairman: Yes. It would be some appropriate time  
3 when the Senator was here. I don't have a time, but I hope  
4 next week some time.

5 Senator Bradley: Mr. Chairman, if you would assure me  
6 that the debt limit bill would be considered when I was  
7 here, I would defer offering this amendment today, but would  
8 expect to offer it on the floor.

9 The Chairman: I can assure the Senator of that. We  
10 certainly would not bring it up if we knew somebody had an  
11 amendment.

12 Senator Symms: Mr. Chairman.

13 The Chairman: The Senator from Idaho.

14 Senator Symms: Thank you, Mr. Chairman.

15 I wanted to pursue the course that Senator Long was  
16 advocating and find out what the parliamentary procedures  
17 are.

18 I have long agreed with that position, Senator, that  
19 you have taken that there should be a permanent debt. I  
20 personally don't have any qualms about it having to be a  
21 crisis when this comes to a vote on the floor because it  
22 does help bring and focus attention on the fact that we  
23 simply over the years have been spending money we didn't  
24 have. By now the interest on the national debt is  
25 compounding, and when they go in to refinance that debt

1 every time and pay higher interest rates, it is causing a  
2 great deal of problems all across the country.

3       What is the parliamentary procedure? How do we do  
4 this? If it is possible, I would like to do it today.

5       Senator Long: As I understand it, it could be done by  
6 a simple amendment. The reason I am not pushing for it at  
7 this moment is that that would require a conference with the  
8 House, and I now assume that the Chairman was just hoping to  
9 send this on down to the President to be signed, and hoping  
10 to bypass the conference.

11       The House has not voted on this debt limit under their  
12 procedures.

13       The Chairman: They sent it over to us, and we have had  
14 it for months.

15       Senator Long: They have stopped voting on the debt  
16 limit, you know. They passed this thing some years ago, and  
17 you were there at the time I believe, that when they send us  
18 their budget resolution, the clerk is instructed to put  
19 together a debt limit resolution and send on over with the  
20 budget resolution.

21       I am not seeing any big problem about this, or force a  
22 conference at this point, but I just think that at some  
23 point we ought to move to make this the figure. As it used  
24 to be, if we didn't pass the debt limit, they just had to  
25 live on the income that they were getting.

1 Senator Symms: That is just my point. It would not  
2 cause the kind of crisis that people think it would if the  
3 Federal government were in a position where they could not  
4 issue checks for some things. They would have to decide  
5 what is most important, and they would operate just like  
6 anybody else, like any State or local government would. But  
7 because of this \$500 billion, it would paralyze them.

8 It seems to me like this would be the best way to bring  
9 about the reform we need in Federal spending. If we put  
10 this amendment on the bill, we may settle this thing and  
11 have the Reagan program into effect sooner than we think. I  
12 don't think it will cause as much crisis as people talk  
13 about. We will just find out that there are ways to save  
14 money, and it could be handled. You might have to slow down  
15 some of the contractual payments that the government makes.

16 The Chairman: I don't believe I disagree with the  
17 Senator, but I would like to explore it with the House and  
18 with Treasury.

19 Senator Symms: Could we just leave it that if we don't  
20 offer that amendment today, we reserve the option to offer  
21 it on the floor, and talk to them.

22 The Chairman: Sure.

23 Senator Symms: I think that it is probably what would  
24 be the one signal that is needed to bring about confidence  
25 in the investment capital markets, and virtually the people

1 of this country, to know that Congress really is going to  
2 get the Federal budget under control.

3 If we could put that debt limit, I would like to see it  
4 at \$1 trillion, but \$1.079.8 billion would be better than no  
5 place, and put it in concrete that that is as far as it is  
6 going, then people could predict how much borrowing there  
7 would be in the future.

8 Senator Long: The way it stands now, there is no doubt  
9 that the Congress will have to act. We don't have any  
10 choice about passing this. If we don't pass anything, it  
11 means that the government has to come to a close. They will  
12 just have to shut the government down.

13 If we at some point say that we are not going to pass  
14 on that limit, and the majority votes against passage, and  
15 will not let it go to the President's desk, when the people  
16 in the Post Office don't get paid, when the government  
17 contractors don't get paid, the Army and the Navy don't get  
18 paid, the people don't get their Social Security checks, you  
19 and I know that the public will rise up in arms and make us  
20 pass it.

21 But if you are voting a permanent debt limit instead of  
22 voting an extension of a so-called temporary thing, then the  
23 government, if it did not pass, would be in a position where  
24 it could only spend the money as the money comes in. It  
25 would not be the end of the world.

1 Senator Symms: That is correct.

2 Senator Long: So you would have a better weapon to  
3 force the economy, and a better threat to put leverage on  
4 the Executive Branch not to spend so much money if you did  
5 not have the distinction between the temporary and the  
6 permanent. You would have that money, period.

7 Senator Symms: I thank you very much.

8 I certainly think that that is what we should explore,  
9 Mr. Chairman, and I hope we could do it. I might just say  
10 to Senator Long, I have spent a lot of time along the Snake  
11 and Salmon River in the last six weeks, and there were a lot  
12 of those people out there who would not feel too bad if the  
13 Federal did just close down.

14 I think, from our point of view here, that we could  
15 certainly have a more legitimate responsible position to  
16 bring about fiscal responsibility to the overall budget  
17 process if we would make this a permanent debt. We could  
18 certainly use this as a mechanism that would be valuable for  
19 all us to bring about the kind of reforms we want.

20 Thank you, Mr. Chairman.

21 The Chairman: Certainly there will be a right, but I  
22 would like to consult with Chairman Rostenkowski and also  
23 Secretary Regan to see if there are any other complications  
24 that I am not aware of. I tend to agree with what both  
25 Senators Long and Symms have indicated.

1 Senator Packwood is the chairman of the subcommittee,  
2 and I would like to recognize Senator Packwood for a  
3 moment.

4 Senator Packwood: As I understand, we have two debt  
5 limits to pass, if we do it separately. One is on the floor  
6 now, isn't that right, H.J. Res. 266, which the  
7 Administration wants to use to increase the debt ceiling  
8 through the end of this fiscal year to \$999.8 billion. That  
9 is on the floor now, and it is the vehicle we used to send  
10 out the tax bill, and then we substituted another House  
11 number, as I recall.

12 Mr. Lighthizer: Yes, it is on the calendar now.

13 Senator Packwood: It will require unanimous consent to  
14 be called up.

15 Mr. Lighthizer: It would require unanimous consent to  
16 rescind third reading.

17 Senator Packwood: That is on the calendar now, and  
18 what we are also talking about sending out from this  
19 committee is H.J. Res 265 which raises it to \$1,079.8  
20 billion through the next fiscal year.

21 Mr. Chairman, I have been on this committee now only  
22 only eight or nine years, and I know the games we play with  
23 the debt ceiling. I was one in the past who thought that we  
24 should go the route that the House went, put it in the  
25 budget bill, or perhaps we should just allow Treasury to



1 raise the debt ceiling as we went without any further action  
2 by Congress.

3 I am not here to argue that at all. There will be  
4 amendments offered on the floor. I would just hope, from the  
5 standpoint of the time of this committee this morning, that  
6 we send it out and realize that there may be two or three  
7 amendments, or a dozen amendments that are offered before we  
8 are done with this on the floor.

9 The Chairman: Is there any further discussion on H.J.  
10 Res. 265?

11 [No response.]

12 The Chairman: Is there any objection to reporting H.J.  
13 Res. 265?

14 Senator Long: I suggest that we have a vote on it.

15 The Chairman: All right, the clerk will call the  
16 roll.

17 Mr. Lighthizer: Mr. Packwood.

18 Senator Packwood: Aye.

19 Mr. Lighthizer: Mr. Roth.

20 [No response.]

21 Mr. Lighthizer: Mr. Danforth.

22 [No response.]

23 Mr. Lighthizer: Mr. Chafee.

24 Senator Chafee: Aye.

25 Mr. Lighthizer: Mr. Heinz.

1 Senator Heinz: Aye.  
2 Mr. Lighthizer: Mr. Wallop.  
3 Senator Wallop: Aye.  
4 Mr. Lighthizer: Mr. Durenberger.  
5 The Chairman: Aye by proxy.  
6 Mr. Lighthizer: Mr. Armstrong.  
7 [No response.]  
8 Mr. Lighthizer: Mr. Symms.  
9 Senator Symms: No.  
10 Mr. Lighthizer: Mr. Grassley.  
11 Senator Wallop: Senator Grassley asked to be recorded  
12 as no.  
13 Mr. Lighthizer: Mr. Long.  
14 Senator Long: Aye.  
15 Mr. Lighthizer: Mr. Byrd.  
16 [No response.]  
17 Mr. Lighthizer: Mr. Bentsen.  
18 Senator Bentsen: No.  
19 Mr. Lighthizer: Mr. Matsunaga.  
20 [No response.]  
21 Mr. Lighthizer: Mr. Moynihan.  
22 Senator Moynihan: No.  
23 Mr. Lighthizer: Mr. Baucus.  
24 Senator Baucus: No.  
25 Mr. Lighthizer: Mr. Boren.

1 [No response.]

2 Mr. Lighthizer: Mr. Bradley.

3 Senator Bradley: No.

4 Mr. Lighthizer: Mr. Mitchell.

5 Senator Mitchell: No.

6 Mr. Lighthizer: Mr. Chairman.

7 The Chairman: Aye.

8 Mr. Danforth votes aye.

9 Mr. Lighthizer: Mr. Danforth voted aye, Mr. Chairman?

10 The Chairman: Yes.

11 The Ayes are nine, and the nays are seven. The  
12 resolution is agreed to.

13 Senator Moynihan: Mr. Chairman.

14 The Chairman: The gentleman from New York.

15 Senator Moynihan: In explanation of my vote, Mr.  
16 Chairman, may I simply say that I could not vote for a  
17 measure which it seems to me the Treasury, without any  
18 culpability on their part, basically misrepresented the  
19 expected course of public finance in the twelve months.  
20 There is not going to be a \$42.5 billion deficit. This is  
21 not going to be adequate for the fiscal, that at least is my  
22 judgment, and that is why I voted in that way.

23 The Chairman: I appreciate that. I think it depends  
24 on what Congress does whether we are going to reach the  
25 \$42.5. If we are willing to make the necessary cuts, we

1 will reach \$42.5, if not, we probably won't, and this  
2 committee, of course, will be in the middle of that.

3 Did Senator Packwood indicate, or maybe staff will tell  
4 us, that there is also H.J. Res. 266, which is on the floor,  
5 and we need unanimous consent to bring that up. There is  
6 some strong indication that we need to act on that by  
7 September 30 because of the sale of \$13 billion in bonds.

8 Mr. Lighthizer: If you had unanimous consent, you  
9 could rescind third reading, and then pass H.J. Res. 266 in  
10 the same form that it came over, and send it on to the  
11 President also.

12 Senator Packwood: I would hope that whatever efforts  
13 are going to be made to amend the debt ceiling bill would be  
14 made on the one for the next fiscal year rather than this  
15 one.

16 Maybe somebody from Treasury could tell us, how much do  
17 we lose if we do not pass H.J. Res. 265.

18 Mr. Lighthizer: The testimony was that the trust fund  
19 for Federal pensions loses about \$4.5 million. I don't  
20 think that from a unified budget point of view you lose  
21 anything, but basically you will not pay into the trust  
22 fund. They cannot invest about \$13 million. It is about a  
23 \$4.5 million loss for that trust fund.

24 Senator Packwood: For one day?

25 Mr. Lighthizer: Yes, sir.

1 The Chairman: What about the Debt Collection Act, what  
2 have we done with that proposal?

3 Mr. Lighthizer: The Debt Collection Act was introduced  
4 by Senator Percy at the request of the Administration. It  
5 has been reported out by the Government Affairs Committee.  
6 It has 11 provisions. After they reported it out, four of  
7 them were sequentially referred to the Finance Committee.

8 Material has been distributed that discusses those  
9 provisions. There are about three relatively minor issues  
10 that we would focus on with respect to the four provisions  
11 that are within our jurisdiction.

12 The Chairman: May I just say, before we do that,  
13 before some of the members have to leave, that as I have  
14 reviewed the schedule with staff, there are still about  
15 maybe four or five items we need to deal with this year.  
16 The first being the Social Security Financing bill, and it  
17 is my hope that we can start mark up on that next week. I  
18 will have as much information as possible for every member  
19 sometime this week.

20 Senator Moynihan: Mr. Chairman, may I ask, is it your  
21 thought that we should do that in full committee?

22 The Chairman: Yes, is that all right.

23 Senator Moynihan: Yes, sir.

24 The Chairman: I discussed that also with Senator  
25 Armstrong. We had a brief discussion last Friday in Senator

1 Long's office, the Senator from New York, the Senator from  
2 Louisiana, and myself. It is my hope that we can reach  
3 some, if not agreement, something near an agreement that  
4 involves members of both sides.

5 We have discussed a number of options that I think  
6 would avoid both the problems of early retirement and later  
7 retirement. So somewhere in the middle, we may be able to  
8 come to an agreement, or at least some consensus in the  
9 committee. If so, I would hope that we could move on that  
10 rather quickly.

11 If we are going to adjourn on November 15, which is the  
12 new target date, we would need to move on Social Security.  
13 So if there is no big objection, I would like to have our  
14 staff and Mike Stern start working with other staff members  
15 of the committee members, so that you will know precisely  
16 what we are thinking about, and we can start that as early  
17 as today.

18 In addition, the second tax bill, I don't know if there  
19 is still any interest in the second tax bill. I recall a  
20 couple of members who withheld their amendment, but I don't  
21 recall their name, on the first tax bill.

22 There was more or less the pledge made by the chairman  
23 on the floor that we would consider a second tax bill, and  
24 that is still, as far as I am concerned, a fact. It should  
25 be revenue neutral, I think, with all the gloom and doom on

1 the budget and the deficit. We would have to find enough to  
2 pay for anything that somebody had in mind.

3 It is also my understanding that Treasury has for some  
4 months been looking at some areas that we might address in  
5 order to find some revenue. One area we did have was the  
6 straddle, which was used in that bill.

7 Also, the airport and airways tax bill must be dealt  
8 with, and tariff bills. The highway fuel tax, Senator  
9 Bentsen has a direct interest in that. That is not due to  
10 expire until the end of 1984, but there has been interest.

11 I don't know what your feeling is on whether we ought  
12 to try to address that now or wait. Do you have any views.

13 Senator Symms: Mr. Chairman, I would certainly like to  
14 see that trust fund extended so that they can have long term  
15 planning for where they are going with the highway program,  
16 or at least extend it until 1990 or something.

17 Senator Bentsen: I would certainly be in accord. This  
18 gives continuity for forward planning that they ought to  
19 have. The question as to whether any changes that can be  
20 done at a later date.

21 Senator Long: It seems to me as though the public  
22 understands that we have always paid for highways with the  
23 user tax. I don't know why we would want to repeal it if we  
24 want the money for highways.

25 You have this airport user thing, too. The people who

1 pay that are relatively affluent people. They are upper  
2 bracket taxpayers, or middle income bracket taxpayers in the  
3 main. If the government needs the money in order to provide  
4 the services, I don't know why we don't continue those  
5 taxes, Mr. Chairman.

6 I say that as one who is on the minority side of the  
7 aisle, but if the government needs the money, I don't why we  
8 ought to repeal those taxes.

9 The Chairman: I don't want to repeal those taxes.

10 Senator Bentsen: Mr. Chairman, I don't know of any  
11 move to repeal the taxes or reduce the taxes at this point.

12 The Chairman: That is another matter. There may be  
13 other matters that individual senators would like to bring  
14 up this year, and if we can accommodate those senators, I am  
15 sure we would want to do that.

16 I think the first thing we must address is Social  
17 Security, and I am certain we are going to have an  
18 opportunity to look at Medicare and other matters very soon,  
19 and if we have any information on those areas I will be  
20 happy to make certain everybody has the information.

21 Social Security, I think we must do very quickly, and I  
22 would hope that we could start meeting early next week. If  
23 we can reach some consensus, as I said, at a staff level,  
24 and we hope to have meetings this week with certain  
25 senators, maybe we can come together on something that we



1 can at least find 51 votes for.

2       The debt collection matter, what are the three areas  
3 that need to be addressed?

4       Mr. Lighthizer: There are three minor issues, Mr.  
5 Chairman, in S.1249. One section deals with disclosure of  
6 debtor identity information, and it provides that upon  
7 written request, private debt collection agencies can be  
8 given addresses of people who owe money to the Federal  
9 government.

10       The bill appears not to be clear on whether or not such  
11 disclosure can be made in cases where the credit bureau  
12 needs the money for purposes of a credit report, as opposed  
13 to collection. We would suggest making that clear.

14       Another change under the same section of the bill  
15 basically tightens down on the way these private collection  
16 agencies can use this information. It requires them to keep  
17 separate files for their private and Federal collections,  
18 and to return all the information once the collection or the  
19 credit report is completed. So we would suggest that those  
20 be added.

21       The final item is under the section dealing with  
22 interest on tax deficiencies and overpayments, Mr.  
23 Chairman. Basically this section does essentially what we  
24 did in the tax bill, it increases the interest rate on tax  
25 deficiencies and overpayments from 90 percent of the prime

1 rate adjusted annually to 100 percent.

2 It is essentially the same thing that we did. So we  
3 would suggest dropping that section out of the bill because  
4 it repeats what we did in the Economic Recovery Tax Act.

5 The Chairman: Has the Joint Committee had an  
6 opportunity to look at this, Mark?

7 Mr. McConaghy: We have, Mr. Chairman, and we would  
8 agree.

9 The Chairman: You recommend the changes that have been  
10 suggested?

11 Mr. McConaghy: Yes. One minor modification that we  
12 have discussed is rather than return all the records back to  
13 the IRS, if there was a system for the agent, meaning the  
14 credit bureau, for destroying the addresses, that would  
15 probably be sufficient if it meant the approval of the  
16 agency. I don't think anybody has an objection to that.

17 The Chairman: I hope that the bill itself will work  
18 because, as I understand, as of December 30, 1979, the  
19 Federal government was owed a total of \$175 billion from  
20 students, farmers, small businesses, and others, who had  
21 borrowed from any of the 358 government long term loan  
22 programs. In addition there is interest on delinquent  
23 loans, and overpayments the government has made on  
24 programs.

25 Aren't we under some time constraint to report it out?

1 Mr. Lighthizer: We agreed to report it out as soon as  
2 possible. Originally, the informal agreement was, I  
3 believe, that we would report it out by the beginning of  
4 August, but there were a variety of things.

5 The Chairman: Do any members have questions of the  
6 staff on these changes that they have suggested?

7 [No response.]

8 The Chairman: Without objection, then, the  
9 modifications will be agreed to.

10 Does anybody move that we report the bill?

11 It has been moved that we report the bill. All in  
12 favor say, aye.

13 [Chorus of ayes.]

14 The Chairman: Opposed, no.

15 [No response.]

16 The Chairman: Is there any further business to come  
17 before the committee today?

18 Mr. Lighthizer: No, Mr. Chairman.

19 The Chairman: We are having a series of breakfast  
20 meetings. You will be getting a note today. The first one  
21 is tomorrow morning with members and officers of NFIB,  
22 hopefully someone from your State will be there. We hope  
23 that we will be meeting with the AFL-CIO, the NAM, and  
24 others. We will try to work it out on a weekly basis. It  
25 is only for one hour.

1 We thought that it might give members an opportunity to  
2 exchange views with some of these people we deal with on a  
3 formal basis. They have all indicated that they would like  
4 to bring their cameras, and they all have newsletters, so  
5 that may be of some interest to members.

6 Thank you very much. The committee stands adjourned.

7 [Whereupon, at 11:55 a.m., the committee adjourned, to  
8 reconvene at the call of the Chair.]

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