

Congressional Closeup by Carl Osgood

Hollings exposes GOP Social Security fraud

Sen. Ernest Hollings (D-S.C.) took dead aim at proposals by the Republicans to create a so-called "lock box," that would set aside surpluses in the Social Security trust fund. On April 20, he called what the GOP was doing a "charade" to eliminate President Clinton's budget, and "to make members [of the Senate], and particularly the media that covers this thing, see the perception as the reality."

Hollings's attack came during debate on an amendment sponsored by Majority Leader Trent Lott (R-Miss.), Spencer Abraham (R-Mich.), and others, to supposedly set aside "every penny of the Social Security surplus to either fix Social Security or to reduce the public debt." The amendment contains a provision establishing a declining public debt limit through 2009.

Hollings said that the amendment "just levels off and obscures the true size of the national debt, whereby we are thinking we are reducing the public debt and we are paying our bills." All it does, he argued, is transfer Federal debt from public instruments to the Social Security trust fund, which "we have been doing for years and years on end." He said that because of this practice, the trust fund is \$857 billion in the red, and is projected, according to Congressional Budget Office figures, to be \$2.417 trillion in debt by 2009.

On April 22, a cloture vote on the amendment fell six votes short of the 60 required to close debate.

Budget offsets create heartburn in the House

The increasing difficulties of passing supplemental appropriations bills became apparent in the House on April 22, during action to appoint members

to a conference committee that will take up the supplemental appropriations bill passed before the Easter recess. David Obey (D-Wisc.), the ranking member on the Appropriations Committee, offered a motion to instruct conferees not to accept the offsets in the Senate version of the bill. The motion passed unanimously.

The unanimous vote, however, belies differences over the offsets, i.e., cuts in other programs to match the increased spending, which are required for non-emergency spending in a supplemental bill by the balanced budget agreement of 1997. Obey denounced the offsets in the House bill as unacceptable, and said that the GOP leadership blew up a bipartisan agreement that had been reached in the Appropriations Committee on which spending should be offset and where the offsets should come from.

Creating further divisions, is the GOP's plan to double the size of President Clinton's supplemental spending request for military operations in Yugoslavia, from \$6 billion to almost \$13 billion.

Dollarization of foreign economies put on agenda

The debate over dollarization of foreign economies entered the public arena on Capitol Hill for the first time on April 22, after Argentina's President Carlos Menem began a campaign to make the dollar the currency of his nation on Jan. 14. This is a British-inspired strategy designed to put an end to national sovereignty, and establish British colonial-style currency boards. It is sold as bringing about stability; it's the same stability the mafia offers you after they've destroyed your store-front the night before.

The issue was given a mostly friendly reception during a joint hear-

ing of two Senate Banking Committee subcommittees. Connie Mack (R-Fla.), after referencing a number of currency crises in Ibero-America, Russia, and Asia since the early 1980s, said that "bad monetary policy has been one of the most consistent economic shocks to emerging markets," and that "dollarization offers a way out of this cycle of devaluation and economic contraction." He said, "With the Fed focussed on price stability, emerging markets can import inflation-fighting credibility by eliminating their own currencies and allowing the dollar to circulate freely."

Democrats were more reserved. Jack Reed (D-R.I.) expressed concern about the effects of dollarization on the Federal Reserve's monetary policy. Tim Johnson (D-S.D.) said, "We have got to consider the ramifications of dollarization before such a dramatic shift occurs." He cited a number of questions that must be answered, including "whether dollarization does in fact help emerging economies stabilize and whether there are alternative mechanisms to that end."

Deputy Treasury Secretary Lawrence Summers, one of two witnesses at the hearing, hedged when asked whether he supported dollarization. "It is very important," he said, "in this issue that is so much freighted with politics and questions of national sovereignty, for us to emphasize that this is a choice that countries will have to make, and [one] based on their own judgments of their national interest."

Federal Reserve Chairman Alan Greenspan also hedged, but did say that if some of the countries that have been hit by currency devaluations in the last two years "had locked themselves into a currency of one of the more stable, larger countries, the general problems that were associated with instability would not have occurred."