

Congressional Closeup by Carl Osgood

GOP Budget Resolution Passed by House Panel

On March 13, the House Budget Committee reported out the FY 2003 budget resolution. The plan generally follows President George Bush's budget submission, sent to Congress in February. It provides for \$393.8 billion in national defense spending and \$37.7 billion for homeland security. It also admits to a deficit, not including the Social Security and Medicare trust funds, of \$224.3 billion, a number already attracting derision from Democrats. A new feature of the resolution is that it looks ahead only five as opposed to ten years. Budget Committee Chairman Jim Nussle (R-Iowa) said on March 5, that the Congressional Budget Office's record on ten-year projections "just serves as further proof of the uncertainty of these types of projections."

Another feature drawing criticism from Democrats is the claim that it provides for a balanced budget. The GOP's summary claims that "this budget is balanced in fiscal year 2003, with the sole exception of recently enacted emergency legislation [the stimulus bill that the Senate passed the week before] to support economic recovery and help displaced workers." Democrats say that the GOP is paying for the budget with Social Security. John Spratt (D-S.C.) told reporters on March 12 that the GOP budget digs into Social Security by \$2 trillion over ten years, about \$500 billion more than the Republicans are admitting to. "It'll fully exhaust that trust fund and fully consume the Medicare trust fund," he said.

In the Senate, Democrats are writing the budget resolution for the first time since 1994. Budget Committee Chairman Kent Conrad (D-N.D.) said on March 19 that the Democrats' proposal not only will fully fund President Bush's request for defense and home-

land security, but will "also include a circuit-breaker mechanism to put the budget on a path to balance without Social Security by 2008." It reverses a large portion of Bush's cuts in law enforcement and road and bridge construction, and makes available up to \$500 billion over ten years for a Medicare prescription drug benefit, as opposed to \$350 billion in the GOP plan, and \$190 billion in Bush's budget request.

Judicial Nominations Spark Partisan Warfare

On March 14, the Senate Judiciary Committee rejected the nomination of Judge Charles Pickering of Mississippi to a seat on the appeals court for the 5th Circuit. Pickering had been the subject of two hearings, in October and February, which looked at his record of opinions. Democrats concluded, in the words of Edward M. Kennedy (D-Mass.), that Pickering does not have "the temperament, the moderation, or the commitment to core constitutional . . . protections that is required for a life tenure position."

Republicans, especially Minority Leader Trent Lott (R-Miss.), who is a friend of Pickering, took the committee's action personally. After the committee vote, Lott castigated Democrats. He called the committee action a "miscarriage of justice," and said, "I am hurt by the attacks on this fine man." He claimed that the vote against Pickering was because of his religious faith. He said that this was the second nomination this year "where it has looked as though if you feel strongly about your faith, your Christian faith, that there is something suspicious about that."

A back and forth has ensued be-

tween the two parties over their record on judicial nominations. The Democrats argue that when the GOP was in control, they treated President Bill Clinton's nominees far worse, many of whom never even got a hearing. Republicans claim they treated Clinton's nominees much better than the Democrats are treating Bush's. Lott has now moved to block the nomination of Jonathan S. Adelstein to a position on the Federal Communications Commission. Adelstein is a former aid to Senate Majority Leader Tom Daschle (D-S.D.). On March 20, Republicans also objected to the convening of committees for longer than two hours while the Senate is in session, disrupting the work of three committees, two of which were working on Enron-related legislation.

Proposed Afghanistan Aid Is Woefully Inadequate

On March 14, the House International Relations Committee invited Andrew Natsios, administrator of the U.S. Agency for International Development (AID), and Alan P. Larson, Undersecretary of State for Economic, Business, and Agricultural Affairs, to comment on a draft bill to provide up to \$1 billion in U.S. assistance to Afghanistan over the next four years. Rep. Ben Gilman (R-N.Y.) said that the bill would provide a "mix of security, of development, of humanitarian and anti-narcotics assistance."

Neither Natsios nor Larson would comment on the specifics of the bill, because they'd only had three days to review it. What they emphasized, however, is the magnitude of the task they face in Afghanistan. Besides security, Natsios stressed the drought. "One more year of a drought of this magnitude," he said, and "whole areas

of the country will be completely uninhabitable because there will be no water left even in the deep wells." While the importance of civil works and water management was mentioned, notably by committee chairman Henry Hyde (R-Ill.), neither he nor Natsios discussed the kind of large-scale development required to bring water into the country.

Also of concern were security and the opium crop. Natsios promoted AID's crop-substitution program as a measure against opium production. However, he admitted, "If you do not have some security on the ground, it's very difficult to run an anti-narcotics program in terms of the agricultural sector." Larson added, "The sorts of measures that we are considering are measures that would provide incentives to farmers to rip out this [opium] crop on their own." Both indicated that the United States is working with the UN Drug Control program on an anti-narcotics program, but members of the committee urged them to include the U.S. Drug Enforcement Administration, as well.

Armey Budget Raises Concern in Hearings

On March 14, the Airland Forces Subcommittee of the Senate Armed Services Committee held a hearing on Army transformation, where subcommittee chairman Joe Lieberman (D-Conn.) expressed concern that the Army's plans may be too ambitious for its budget. Lieberman noted that despite the \$10 billion increase called for in the Army's budget for FY 2003, the Pentagon still cancelled 18 programs, including some authorized by Congress only two years ago. He also noted that Army Chief of Staff Gen. Eric Shinseki has submitted to the

committee a list of unfunded requirements for some \$10 billion in each of the last two years. He questioned whether the Army can pay for the six interim brigade combat teams it is planning to field as part of its transformation process. These concerns were echoed by Rick Santorum (R-Pa.).

Army Undersecretary Les Brownlee admitted that there is considerable risk in the Army's transformation plans, and that the Army must "closely manage" the risk involved in getting to its objective force. "We must also be realistic about the probability of success of these programs," he said. He assured the subcommittee, however, that "we will look for ways to mitigate these risks in order to ensure success." He warned that if the risks are not accepted, "these programs may be chronically underfunded and behind schedule."

Earlier the same day, the issue of over-deployed forces came up in the House Armed Services Committee. Ranking member Ike Skelton (D-Mo.) noted that the service chiefs have been asking for increases in authorized manpower, to the tune of some 51,400 more people, 40,000 of them for the Army. Army Gen. William F. Kernan, commander in chief of the U.S. Joint Forces Command, responded, "I support wholeheartedly what the service chiefs have asked for in the way of additional capability." Under further questioning from Skelton, Kernan admitted that his troops are tired because "we are busy. We are busier than we have ever been."

Energy Derivatives Scored in Senate

On March 19, the Senate debate on the energy bill shifted to financial deriva-

tives as a result of an amendment by sponsored by Dianne Feinstein (D-Calif.) that would re-impose Federal regulation on exchange-traded and over-the-counter derivatives contracts. Feinstein said that her amendment would restore authority over derivatives contracts that was taken from the Commodities Futures Trading Commission by the Commodities Futures Modernization Act (CFMA) of 2000. She said that about 90% of the trades in energy never result in delivery of a product, but are purely financial transactions. Because of that, "a giant loophole has opened up where there is no transparency, no records, and no oversight."

Phil Gramm (R-Tex.), a longtime defender of financial derivatives, claimed that Feinstein's amendment is unnecessary because the 2000 CFMA strengthened the CFTC's authority. He trotted out a letter from Federal Reserve Chairman Alan Greenspan and Treasury Secretary Paul O'Neill to buttress his claim that the "derivatives markets may very well be a major factor in the resilience of the American economy, today, and why we, in fact, did not have a recession." When Byron Dorgan (D-N.D.) asked Gramm about the 1998 collapse of the Long Term Capital Management hedge fund, and the fact that its collapse nearly brought down the entire financial system, Gramm replied that LTCM went broke "by making bad decisions," not because of the use of derivatives.

The entire financial services sector is opposed to the amendment and has been lobbying heavily against it, and Minority Leader Trent Lott (R-Miss.) has put a hold on it. Barbara Boxer (D-Calif.), a co-sponsor of the Feinstein amendment, highlighted the real issue when she told the Senate: "Enron manipulated the electricity market for one reason, and one can explain it in one word: secrecy."