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"Bi-Partisan" Economic Summit A Good Start, But We Need Much More

The Democratic Policy Committee (DPC) hosted an economic forum on October 11. Subtitled “Securing Our Economic Future,” it was billed as an attempt to offer a bi-partisan discussion of and debate about the issues underlying the nation’s economic woes. Though the point was clearly made that no Republican Members of Congress accepted the DPC’s invitation, the forum’s first panel was comprised not only of former members of Clinton’s Council of Economic Advisors, but also a former Associate Director for economics in President Reagan’s Office of Management and Budget and a former economic advisor to House Majority Leader Dick Armey (R-TX).

Members of the panel (Larry Kudlow, CNBC anchor and member of the Bush-Cheney Transition team; Stephen Moore, President of the Club for Growth; Gene Sperling, former Clinton Economic Advisor and current member of the Council on Foreign Relations; Janet Yellen, former Clinton Economic Advisor and professor at the University of California’s Haas School of Business) seemed to heed the caveat offered by one of the two moderators, Sen. Jon Corzine (D-NJ), that we have to admit we have a problem before we can address it – all four stated that the U.S. is still suffering from slowed economic growth and that earlier optimism that this condition would be short-lived is proving wrong. They agreed that only sustained consumer spending has helped mitigate the effects of the slow-down, and given current indications, consumer spending may also slow. Some kind of economic stimulus is now vital to jump-start the economy.

Moving from a unanimous recognition of the country’s economic problem to the next step of agreeing on a solution proved more difficult. The two more conservative members of the panel recommended, among other proposals, accelerating the tax cuts enacted last year and creating additional business tax cuts to increase companies’ willingness to invest in production now (an investor tax credit) and a reduction in the capital gains tax rate on new investments. Democratic panelists strongly advised against making the tax cuts permanent or accelerating them, arguing that they ought, instead, to be frozen, since future tax cuts will primarily go to wealthier Americans, who are less likely to put the money to use.

Democrats recommended an immediate infusion of federal aid to the states to mitigate state cuts to Medicaid, education, capital improvements, and social services. Both sides agreed that extending unemployment benefits was a good thing to do, while the conservative side didn’t expect doing so would do anything for the economy and Democrats argued that extension of benefits would be beneficial, since the benefits would be spent immediately. Along the same lines, Gene Sperling suggested a tax rebate to those taxpayers, mostly low-income, who did not qualify for the rebate last year – again because it would infuse more consumer spending into the economy.

There was some effort at suggesting possible compromises. Sperling suggested that an agreement might be reached around some form of business tax credit, if it were carefully crafted to provide for the most immediate and directed influx of spending on new equipment and new hires. He recommended such a tax incentive be limited to a 6-9 month duration – not the 3 years of the version contained in last March’s economic stimulus legislation – to ensure a stimulative impact. In exchange, Republicans might compromise by freezing last year’s tax cuts for the higher marginal rate taxpayers or make another concession.

In his closing remarks, Corzine’s fellow moderator, Rep. Charles Rangell (D-NY) asked, "How do we make this conversation happen?" This is the real crux of the issue, because the Administration has given no sustained attention to an economic stimulus plan, and, until today, no Democrats had put forth an economic stimulus package. One proposal that could provide an immediate effect is extending unemployment benefits to those who will otherwise lose them on December 28. Another proposal, offered by Robert Reich in today’s New York Times, is a temporary elimination of payroll taxes on the first $15,000 a worker earns. As Reich points out, this should provide added resources both for workers and for their employers – which should please both sides of Friday’s panel. Just this afternoon, House Minority Leader Dick Gephardt unveiled his proposal for a $200 billion economic stimulus composed of tax cuts and federal spending on school construction, health care, and to help state and local governments protect against terrorism, although he specifically did not call for postponing or freezing last year’s tax cuts.

This panel was followed by two other ones covering corporate responsibility and retirement and Social Security. Each of these panels provided a healthy debate on the issues. The link above provides information about the panelists.

Too Much Spending? Or Not Enough?

Only 9 billion dollars separates the House and the Senate Budget Committee FY 2003 discretionary spending totals, but this small divide has been widened by continuing efforts to limit spending on domestic programs. Each of the budget proposals that has been put forth calls for reductions in this year's real per capita spending from last year's levels. Yet a recent analysis from the Center on Budget and Policy Priorities (CBPP) argues that we are nowhere near a discretionary "spending explosion," in either domestic or military spending.

Under each of the current proposals, total discretionary spending (domestic, international and military) will decline over the next 10 years when represented as a percentage of GDP. It is that gauge that we should use to evaluate the potential impact of budget proposals. By comparing the level of spending with the overall size of the economy, we get a much more accurate sense of just how small domestic discretionary spending really is as a piece of the pie. There is no spending explosion. In fact, under almost all proposed spending scenarios, domestic discretionary funding, at 3.0 percent of GDP, will actually be reduced to its lowest level since 1963. While overall GDP is expected to grow at an average rate of 5.3 percent per year, even the Senate Budget Committee proposal (the most generous of the proposals) only allows domestic discretionary spending to grow at 3.9 percent per year.

Rather than the risk of a "spending explosion," the real risk lies in failing to address the domestic catastrophes that are daily worsening across the country. This lack of sustained attention to the country's ongoing domestic needs now and over the long-term is the real threat to our health, security, and future economic and social well-being. For instance:

- **State Fiscal Crises:** Congress has taken no action to provide fiscal assistance to deficit-ridden states, many of which are now making dramatic cuts in their funding of services, especially those which benefit low- and middle-income people.

    States spend a large percentage of their annual budgets on Medicaid health care assistance for their low-income residents. CBPP, the Economic Policy Institute (EPI) and others have argued that without federal assistance, states will be forced to make even more cuts in Medicaid benefits, as well as in other state-funded programs. A recent Washington Post storyreports that this is already occurring: 47 million people rely on Medicaid coverage across the country, and hundreds of thousands of them are losing their health services, dental and vision coverage, even prescription drug assistance. Some states, according to the Post story, are trying to save money by cutting out their eligibility awareness campaigns. As one state Medicaid director noted, "It's nuts to go out there and drag people in if you can't even serve them or deal with them."

    States may be forced to make additional cuts in health care for low-income children if Congress doesn't act soon. States will lose last year's unused funds from the State Children's Health Insurance Program (SCHIP), which provides health insurance to children in low-income families, unless Congress votes to return these funds to the states. This will cause 600,000 children across the country to lose the ability to obtain health care.

    Many states are looking to hiring freezes and even large layoffs to cut costs. Last week, Virginia Governor Mark Warner announced that state layoffs could range anywhere from 1,000 to 2,500 employees to help close the state's $2 billion budget deficit. Economists, such as EPI's Max Sawicky, have been warning of the negative impact on the economy of these and other measures that states, without help from the federal government, will be forced into so they can meet their balanced budget requirements.

- **TANF Reauthorization:** The country's primary program for assistance for low-income families was up for reauthorization this year. Congress has been unable to pass reauthorization legislation, and may only pass a one-year extension of the program, at current funding levels -- which were not even sufficient for last year's needs.
- **Extension of Unemployment Benefits:** Many people will be reaching the state limits of their unemployment compensation before the year is over, leaving them with no safety net whatsoever, in spite of continuing bad economic conditions. Congress has failed to pass an extension of time limits to protect these workers.

These are just a few of the crises that Congress ought to address. Recent census reports show that poverty has increased, income inequality is at one of its highest levels ever, and the number of people without health insurance has climbed to 41.2 million -- a number equal to the combined populations of 23 states and the District of Columbia according to a Family USA report. States are being forced to cut health benefits to children and the very neediest, delay much needed school renovation and construction, and lay off personnel, increasing unemployment and decreasing the buying power which is necessary to a good economy.

If we continue to allow Congress and the White House to argue that there is no time and no money, we are courting disaster. It doesn't have to be this way. A sizeable chunk of the $1.35 trillion tax cut enacted June 2001 won't take effect until 2004. As Citizens for Tax Justice (CTJ) and the Children's Defense Fund (CDF) have pointed out, almost all of the next phases of the tax cut will benefit only the top 20% of individuals – those making more than $73,000 each year. OMB Watch has joined CBPP, CTJ, CDF, and others in arguing that the nation's policy makers now must seriously begin looking to a freeze of the next rounds of tax cuts. As the CBPP report observes, if some adjustments must be made to help offset the increased defense and homeland security costs, and "if sacrifice is to be broadly shared, it cannot involve scaling back programs primarily for lower- or middle-income families and individuals while placing off limits all scheduled tax cuts for the most affluent members of society." We have many needs now, but we also have the resources. The US is still the richest country in the world. Now is the time to use these resources wisely and fairly.

Continuing Resolution, Part III

The House and Senate passed their third Continuing Resolution (CR) last Thursday, providing funding to keep the government operating through October 18. Passage of H.J. Res. 122 was required to prevent a government shutdown since none of the 13 annual appropriations necessary for federal programs to continue to operate has yet been enacted. It is anticipated that the Defense and Military Construction appropriations bills will be passed before a longer term CR is enacted.

Earlier versions of this CR would have extended funding through November 22, giving Members of Congress time to return home to their districts, campaign for the November 5 elections, and postpone action on funding decisions for FY 2003, which began October 1. Since this most recent CR only extends to October 18, however, at least one more CR will be necessary to keep the government funded through these elections. Commentator Stan Collender warns that relying on CR's means that federally-funded programs will have to continue to struggle both to address this year's needs as well as outline their spending plans for FY 2004 well before they have received their FY 2003 funds. For a closer look at the host of problems that agencies and federal programs face while operating under a CR, see this article in the September 30 Watcher. Election year or not, it is disturbing that Congress cannot work through the difficult decisions around spending priorities and meet their obligation to timely appropriate funding for the government.

The effects of at least one other possible complication arising from a CR that carries Congress through the November 5 elections remains to be seen. The Washington Times reports that on October 9 Sens. Phil Gramm (R-TX) and Zell Miller (D-GA) promised to prevent adjournment of the Senate until action is taken on legislation creating the homeland security department and will attach this legislation to any CR that extends past November 5. Apparently Senate Minority Leader Trent Lott (R-MS) is serving in a self-described capacity of an "unbiased facilitator" to reach an agreement on the legislation between Majority Leader Tom Daschle (D-SD) and House Speaker Dennis Hastert (R-IL). Daschle said on Friday that he believes a "lame duck" session of Congress is unavoidable, but on Wednesday he will be filing cloture to bring debate on the Homeland Security bill to a close and provide for a vote on this legislation.

To track the slow progress of the FY 2003 appropriations process, see this Congressional site.

CBO Says 2002 Had Largest Percentage Drop in Federal Revenue in 50 Years

The Congressional Budget Office's (CBO) Monthly Budget Review reports that the $137 billion drop in revenue for FY 2002 represents the largest one-year drop in 50 years. The combination of this reduction in revenue and the increase in spending in response to last year's terrorist attacks, the increase in the unemployment rate, and steep increases in Medicaid costs amounted to a $157 billion deficit for FY 2002, which ended September 30. Though this return to a deficit represents a $254 billion turn-around from last year's $127 billion surplus, the deficit is only 1.5 percent of GDP, a manageable size and a great deal smaller than the deficits of the mid-1980's, which amounted to 6 percent of GDP.

For an overview of CBO's report on what happened to the surplus, see this OMB Watcher article.

Alliance for Children and Families: National Family Week

The Alliance for Children and Families along with thousands of people across the United States will join together during the 32nd annual National Family Week, November 24-30. This nationwide awareness campaign recognizes strong families and children are at the center of strong communities. National Family Week is observed the week of Thanksgiving, a time when many families traditionally celebrate their connections with one another. Accordingly, the theme, Connections Count, embraces the premise that children live better lives when their families are strong; and families are strong when they live in communities that connect them to quality education, child care, employment opportunities, transportation, and other social investments within the communities where they live and work. Local events are being planned across the country, including family fun festivals, parades, balloon releases, Family Week awards, and art contests. For more information about how you can participate, visit www.nationalfamilyweek.org to download a free how-to guide or find an Alliance member near you.

U.S. Department of Education Website Drops Record Number of Electronic Files

The U.S. Department of Education recently sparked controversy in the education and research communities for its decision to both remove and delete information from its agency websites, in the interests of consolidating information and making it more usable and accessible to the public. Critics charge that it is both an effort to remove information with which the Bush Administration does not agree, and symptomatic of broader long-standing problems facing intra- and inter-agency electronic document and records management. More discussion is provided in the following NPTalk located online: http://www.ombwatch.org/article/articleview/1130/1/96

Campaign Finance Reform Update

Below is a summary of new developments concerning campaign finance issues.

BCRA Rulemaking

The Federal Election Commission's (FEC) final rule and explanation on "electioneering communications" under the Bipartisan Campaign Reform Act of 2002 (BCRA) was approved at its September 10 meeting. The final rule exempts broadcasts that are unpaid or that are funded by organizations exempt under 501(c)(3) of the tax code. See our website for more details. The FEC is currently considering a rule defining prohibited coordinated communications between corporations, including nonprofits and labor unions, and federal candidates or their committees and parties. OMB Watch filed comments seeking exemptions for nonpartisan grassroots lobbying and voter education activities. A public hearing is scheduled for October 23-24.

BCRA sponsors Reps. Chris Shays (R-CT) and Martin Meehan (D-MA) filed a lawsuit against the FEC on October 8 challenging the soft money regulations adopted in July. Shays and Meehan are being represented by Democracy 21, which has the full text of the complaint on its website. The suit asks the federal district court in Washington, D.C., to issue an injunction against enforcement of the rules until Congress has time to correct them. BCRA sponsors are invoking the Congressional Review Act in an attempt to overturn the rules. However, Senate Majority Leader Tom Daschle (D-SD) has said he will not support this effort, which would result in re-consideration of the entire bill passed by Congress earlier this year. See our summary of the soft money rules.

PAC Legislation
Advocates for state and local Political Action Committees (PACs) seeking an exemption from the "Stealth PAC" law of 2000 have teamed up with campaign finance reformers pushing for improvements in disclosure under the law to back a new House bill, H.R. 5596. The Stealth PAC law requires all PACs exempt under Section 527 of the federal tax code to register with the IRS and report their contributions and expenditures. State and local PACs have lobbied Congress for an exemption for PACs with no federal election activity that file reports at the state or local level. Previous attempts to change the law have failed, most recently in April when the House voted down a larger taxpayer rights bill.

The law, aimed at providing the public with information about the role of soft money in federal elections, requires the IRS to post reports on its website. However, the information has not been posted in a searchable form, limiting its usefulness. The Campaign Finance Institute released a report Website Woes, The Federal Non-System for Campaign Finance Disclosure last week detailing problems with this system and noting improvements needed on the FEC and Federal Communications Commission sites.

H.R. 5596 would exempt state and local candidates and PACs with no involvement in federal elections from the filing and disclosure requirements if they file reports at the state level. It would also require the IRS to provide information disclosed in a searchable, downloadable format, and require PACs to disclose the dates of contributions and expenditures, the purpose of expenditures and notification of any change in address or officers. The bill's sponsors, which include Reps. Kevin Brady (R-TX), Meehan and Shays, expect it to pass before the end of the Congressional session. A similar bill is expected to be introduced in the Senate, or pass as part of the CARE Act. (see related story)

Electioneering by Religious Organizations
On October 1 the House defeated a bill that would have allowed religious organizations to endorse candidates and spend tax-deductible funds on partisan election activities, by a wide margin on October 2. The final vote -- 178 YEA - 239 NAY - 15 Not Voting -- reflected concerns about the separation of church and state and campaign finance reform.

See related article for more details.

Administration Gives Panel on Childhood Lead Poisoning an Industry Tilt

The Bush administration is packing an advisory committee on childhood lead poisoning with those friendly to industry and predisposed against new regulation, according to a new report released by Rep. Edward Markey (D-MA).

The committee, in place for more than a decade, examines the science of lead poisoning and advises the Centers for Disease Control and Prevention (CDC) on appropriate policy measures, including the limit on acceptable lead levels in the blood -- an issue the committee is set to reexamine. According to the CDC, more than 890,000 children in the United States between the ages of 1 and 5 have elevated levels of lead in their blood, which can result in damage to the central nervous system, kidneys, reproductive system, as well as decreased intelligence, among other harmful effects.

The office of Tommy Thompson, secretary of the Department of Health and Human Services (HHS), which includes the CDC, has been closely involved in the selection process, nixing a number of nominations in favor of a panel more sympathetic to industry -- a practice recently observed at other advisory committees as well. Susan Cummins, chair of the lead advisory committee from 1995 to September 2000, told BNA (a Washington trade publication) that the HHS secretary had never previously rejected nominations by the committee or CDC staff.

Michael Wetzman, pediatrician in chief at Rochester General Hospital and author of numerous publications on lead poisoning, was not reappointed to the committee as expected when his term recently expired, and the nominations of two other accomplished doctors with expertise in lead poisoning were also rebuffed by agency higher-ups. Instead, CDC put forth four nominees who are closely allied with the lead industry (Markey was unable to determine the affiliation and expertise of a fifth nominee). Specifically, they are:

- William Banner, professor of pediatrics at the University of Oklahoma, who has served as an expert witness for the lead industry, downplaying the effects of lead on children;
- Joyce Tsuji, principle scientist at Exponent, whose corporate clients include ASARCO, which is now involved in a lead dispute with EPA, Dow Chemical, and Dupont (Tsuji told BNA she has since withdrawn her nomination due to scheduling conflicts);
- Sergio Piomelli, a professor at Columbia Presbyterian Medical Center, who has argued against lowering the

acceptable limit of lead in the blood, saying "there is no epidemic of lead poisoning in the United States today, but some people are trying to create an epidemic by decree"; and

- Kimberly Thompson, an assistant professor of risk analysis and decision science at Harvard, who is affiliated with the Harvard Center for Risk Analysis (HCRA), which has 22 corporate funders with a financial interest in the deliberations of the lead advisory committee, according to Markey. This includes Ciba-Geigy Corp., FMC Corp., and Monsanto, which have superfund sites with lead contamination. (The administration's regulatory czar John Graham, who has bottled up health, safety, and environmental protections across federal agencies, is the former director of HCRA.)

These proposed nominees, who have not yet been formally selected, were revealed in an email from a CDC representative to the Natural Resources Defense Council (NRDC), which forwarded it to Markey.

"It makes you wonder, if the Bush Administration was seeking advice on whether the sun revolved around the earth or vice versa, would it take Galileo off the committee and replace him with the Inquisition?," Markey said in a press release. "Since a key issue for this advisory committee is whether low-dose exposure to lead will adversely affect childhood development, I am concerned that noted academic experts are being replaced by individuals who appear to have conflicts of interest that could prevent them from providing advice that will lead to the most protective health standards for our children."

Markey unveiled his report at a press conference on October 8 that was also attended by Reps. Henry Waxman (D-CA) and Eddie Bernice Johnson (D-TX), along with NRDC. In addition, Markey, joined by other colleagues, sent a letter to Secretary Thompson requesting additional information on the overhaul of the lead advisory committee.

Comment Deadline Extended on FERC Rule Limiting Public Access

On October 9, 2002, the Federal Energy Regulatory Commission (FERC) announced it was granting a 30-day extension for public comments on the Commission's Notice of Proposed Rulemaking issued September 5, 2002, and published in the *Federal Register* on September 13, 2002 in Docket Nos. RM02-4-000 and PL02-1-000.

The proposed rule would limit public access to "critical energy infrastructure information" that was previously public. FERC began this process in response to the September 11th attacks. The extension was granted in response to a request filed by American Rivers and members of the Hydropower Reform Coalition (HRC). The new deadline for public comments on the Proposed Rulemaking is now November 14, 2002. OMB Watch is preparing comments on the rule that will be made available through our website upon submission to FERC.

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