A SOURING DEBATE OVER MILK PRICES

The SPEAKER pro tempore. Under the Speaker's announced policy of January 19, 1999, the gentleman from Minnesota (Mr. GUTKNECHT) is recognized during morning hour debates for 5 minutes.

Mr. GUTKNECHT. Mr. Speaker, very soon the Congress will be engaged in a very vicious debate about milk. And that may surprise some people; but when we start talking about milk marketing order reforms, it is amazing how aggressive some Members can become.

Mr. Speaker, in the last couple of days our colleague, the gentleman from Wisconsin (Mr. GREEN) and myself have sent to all of our other colleagues a copy of an editorial which appeared recently in the Kansas City Star.

Mr. Speaker, I would like to read some excerpts of that editorial because as far as I am concerned they got the debate exactly right. I read and I quote, in 1996, Congress ordered the administration to simplify the pricing of milk. That is easy enough. Stop regulating it. But this is the farm sector and a free market in milk is somehow inconceivable. Instead, milk prices are calculated from rules and equations filling several volumes of the Code of Federal Regulations.

The administration's proposed reform would reduce the number of regions for which the price of wholesale milk is regulated from 33 to 11. Fine, but it would also perpetuate the loopy Depression-era notion that the price of milk should in some respects be based in part on its distance from Eau Claire, Wisconsin. Under current policy, producers farther away from this supposed heart of the dairy region generally receive higher premiums or differentials.

The administration called for slightly lower differentials for beverage milk in many regions, but in Congress even this minuscule step towards rationality is being swept aside. The Committee on Agriculture has substituted a measure that essentially maintains a status quo. Similar moves are afoot in the Senate. Worse, some dairy supporters are working to reauthorize and expand the Northeast Interstate Dairy Compact, a regional milk cartel, and allow similar grouping for southern States. Missouri's legislature, by the way, has already voted to join the Southern Compact, even though it would result in higher prices for consumers. The Consumer Federation of America reports that the Northeast Dairy Compact raised retail milk prices by an average of 15 cents a gallon over 2 years.

Dairy producers concerned about the long view should be worried. Critics point out that the higher milk differentials endorsed by the House Committee on Agriculture may well lead to lower revenue for many producers. This is because the higher prices will encourage more production, driving down the base milk price and negating the higher differential.

The worst idea in this developing stew is the prospect for dairy-compact proliferation. A compact works like an internal tariff, because the cartel prohibits sales above an agreed-upon floor price. Producers within the region are protected from would-be outside competitors.

Opponents point out that more regional compacts, and the higher prices they support, will breed excessive production, creating dairy surpluses that will be dumped into markets of other regions. This will prompt other States to demand similar protection, promoting the spread of dairy compacts.

Ultimately, as in the 1980s, political pressure will build to liquidate the dairy surplus in a huge multibillion dollar buyout of cheese, milk powder, and even entire herds.

Congress should permit the Northeast Compact to sunset or expire, which will occur if the lawmakers simply do nothing. In fact, doing nothing to the administration's proposal seems to be the best choice in this case, or more properly the least bad. Perhaps some day Washington will debate real price simplification as in ditching dairy socialism and letting prices fluctuate according to the law of supply and demand, closed quote.

Mr. Speaker, the Kansas City Star is right. We should allow Secretary Glickman's modest reforms to go forward. We should sunset the Dairy Compact. Mr. Speaker, markets are more powerful than armies. They allow the market to set the price of milk in Moscow. Maybe we should try it right here in Washington, D.C.

TWO OF THE MANY PROBLEMS WITH THE PROPOSED TAX CUT

The SPEAKER pro tempore. Under the Speaker's announced policy of January 19, 1999, the gentleman from Massachusetts (Mr. OLVER) is recognized during morning hour debates for 5 minutes.

Mr. OLVER. Mr. Speaker, for this week the high profile, main business of the Republican leadership in Congress is to reach a final version of the $800 billion tax cut that has been proposed.

Now, the Republican leadership says that their tax cut is for the middle class, but that is clearly not true.

The House-passed version of the bill passed here, passed this branch 2 weeks ago, and in that version the 6 million highest income taxpayers, which represent about 5 percent of all taxpayers in this country, with incomes of over $125,000 a year, would get 61 percent, more than three-fifths of the total tax reduction, while the other 120 million taxpayers in this country, 95 percent of all the taxpayers, they would get only 39 percent of the total tax reduction that is involved.

Now, I do not think that many people would consider that a middle class tax cut. In fact, it is designed to make the already rich a very great deal richer, while the broad middle class of people in this country, the families that are living on an income of between $20,000 to, say, $80,000 a year, are only going to see a tax cut that is worth one or two cups of coffee a day for those families.

But that is only a small part of the story. The rest of the story is what cannot be done if the Republican leadership's tax cut bill were to become law. For that, I would like to just indicate a couple of areas of what cannot be done. Look at and consider the question of the national debt. On this chart, this chart shows what the publicly-held national debt of $3.7 trillion is made up of.

These pie chart sections, 38 presidents from 1789 until 1977 produced this blue piece. This is President Carter's portion of the debt. This is President Reagan's. This is President Bush's. This is President Clinton's. The interest on that $3.7 trillion of debt now is about as large, it is about $230 billion a year, is about as large as the whole debt that was created during the Carter administration, that was built up during the Carter administration.

What happens? The tax cut makes certain that we will not be able to pay off that debt, and we will have to continue paying $200 billion or more per year for years into the future. That means higher interest rates for every American family that wants to buy a home, higher interest rates for every business person who wants to create a business that is going to provide more jobs.

So, the debt problem.

Let me take a different issue. If you take a look at the Social Security situation, the tax cut, if it were to become law in its present form, would make it very much more difficult to extend the Social Security system beyond the year 2030. We know the demographics. We know how many people are going to be retiring between now and then. We know how many are going to enter the workforce between now and then, and we know that the reserve funds in the Social Security system will run out in 2030. And we will only be able to operate on the basis of whatever is paid into the Social Security trust fund year by year, which means the benefits for the ever-growing number of senior citizens will have to be reduced or the retirement age for people will have to go up.

At the same time, at the same time, we know that for those people who are businesspeople who are wealthy Americans, the retirement age is going down. People are retiring, if they are wealthy enough, at 50, 55, some even younger than that. Some of them never have worked so they never have to retire.

So the Social Security system is in serious jeopardy of not having any additional revenue to put into the protection and preservation of the Social Security system.

Now, my mother, who is 92 years old, is living now on Social Security that is under $500 per month. She also has a couple hundred dollars of income from