buy him in international acceptance of his tightening at home. Others must be careful not to let him conclude he has no further need to allow space for independent local actors and foreign organizations like the Soros Foundation. This is space for civility and tolerance, values the former Yugoslavia desperately needs.

POLITICS VERSUS GROWTH?

HON. NEWT GINGRICH

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 19, 1996

Mr. GINGRICH. Mr. Speaker, I commend to my colleagues the attached article from Investor's Business Daily. With economic growth of only 1.4 percent last year, the possibility of a recession still casting a shadow and the middle-class being squeezed on all sides, the situation cries out for serious action. Unfortunately, the President vetoed the Balanced Budget Act of 1995 and so far has offered nothing to address the issue of economic growth.

As the Daily points out, there is room for agreement on a capital gains tax. The President has long supported a targeted one. According to one study, such a cut would have created 1.4 million new jobs between 1995 and 1999, added an additional 1 percent a year to the stock market and brought in $9–$18 billion in Federal revenue. We must be prepared to respond to the under performance of the economy. Let us hope the President is ready to work out an agreement. I submit the full article into the RECORD.

[From the Investor's Business Daily]

POLITICS VS. GROWTH?

The economy grew just 1.4% after inflation last year, and recession is possible this year. Congress and President Clinton should skip the political games and move now to turn things around.

Speaking in Michigan on Monday, Clinton gave us his ''growth agenda.'' Yet that's just a new, transparent label on his old wish list: a minimum wage hike, a tax deduction for college costs, government vouchers for worker retraining, and the Kennedy-Kassebaum health-insurance reform.

Half his points—the health bill and the wage hike—plainly have nothing to do with growth. At best, they'd be good for those who have jobs.

Education and training do boost growth in the long term. Yet Clinton has yet to show how more government sponsorship of these goals will help achieve them. It hasn't worked that way in recent decades.

Don't look to other Democrats, either. House Minority Leader Richard Gephardt recently claimed we ''don't know'' how to boost growth. His best guess is that favorite of Labor Secretary Robert Reich: tax penalties on corporations that downsize.

In fact, Clinton certainly knows what the economy needs, and Gephardt probably does: Tax cuts, the pro-growth move that worked for Presidents Kennedy and Reagan alike.

House Speaker Newt Gingrich is ready to play ball. ''All the warning signals are there'' for recession, he told reporters last week. ''I think if the President really wants to help us to avoid a significant recession . . . we should have a pretty substantial (budget) package in the next week or two.''

Gingrich could have added. ''If the President really wants to get re-elected.'' Clinton is riding high in the polls now, but presidents who don't deliver solid growth rarely win a second term.

To Gingrich's credit, he has put jobs above politics. If a Republican Congress and a Democratic president can agree to cut taxes, Americans may just opt for more of the same. It could give Clinton a pro-business image just when he needs it.

But what kind of tax cuts should the deal contain?

The collapse of last year's talks puts us in a whole new ball game. The GOP's $245 billion grab-bag of tax reductions is dead.

Some Republicans want to salvage part of last year's biggest-ticket proposal, the $500 per-child credit. That might fit their political needs, but it is more social policy than economic stimulus.

And unless Clinton and Congress can agree on large spending cuts, tax cutters will need to keep their ambitions modest. Big cuts run straight into the iron wall of the ''Byrd Rule.'' this says tax cuts must be ''paid for,'' and the rules for ''paying'' overestimate how much revenue most tax cuts would lose the government.

The bind is so constrictive, the Byrd Rule so absurd, that the GOP has been reduced to considering bringing back the airline ticket tax to pay for tax cuts.

With so little room to play in, the clear choice is the tax cut that delivers the most bang for the buck: Trimming capital-gains tax rates.

GOP leaders are said to be considering a cut in the top rate from 28% to 20% for individuals only. The relief would be retroactive to the start of this year.

Clinton has long publicly backed a least a targeted cap-gains cut. And throughout the budget battle, he has said he's open to a rate cut.

If Clinton were to quietly approve, we might get something resembling the original ''Contract With America'' cap-gains plan. Lehman Brothers Chief Economist Allan Sinai, no supply sider, calculated that that would have added 0.7% to the gross domestic product from 1995 to 1999.

Such a cut would have created 1.4 million new jobs over the same five years boosted the S&P 500 by more than 1% a year and put $9 billion to 18 billion in extra revenues in federal coffers, according to Sinai.

DRI–McGraw Hill projected growth of 1.9% in productivity, $22.7 billion in higher tax revenues and a near 12% drop in the cost of capital, cumulatively over 10 years.

Thanks to organizational strength, Bob Dole may pull out ahead of the GOP presidential pack over the next week. Yet the strong showing by political neophyte Steve Forbes, and the failure of Pat Buchanan's economic pitch, prove that prosperity and opportunity sell at the ballot box.

Dole needs a message—and Clinton needs growth. For the sake of the economy, let's hope they can work together to give us a cap-gains tax cut now.

UKRAINE'S COMMITMENTS TO REFORM IN THE ENERGY SECTOR

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 19, 1996

Mr. HAMILTON. I would like to bring to my colleagues' attention a letter I received from the administration concerning a commitment by Ukraine to reform its energy sector in return for United States assistance in the form of a USAID/Eximbank credit facility. In a series of communications with Mr. Richard Morningstar, special adviser to the President and Secretary of State for United States Assistance to the NIS, I expressed my concern that United States provision of a USAID/Eximbank facility be conditioned upon Ukrainian agreement to specific reforms.

In return for a $175 million credit facility, Ukrainian Deputy Finance Minister Shpek committed to restructure the power market. He specifically agreed to break up the power market by taking four distinct steps, as itemized in the following letter from the Department of State. The reforms agreed to by Mr. Shpek are above and beyond any existing IMF or World Bank conditionality. In my judgment, the conditions attached to this credit facility will enhance reform in the Ukraine.

The text of the letter follows:

U.S. DEPARTMENT OF STATE,
Washington, DC, February 22, 1996.

Hon. LEE HAMILTON,
House of Representatives.

DEAR MR. HAMILTON: During your meeting last fall with Mr. Richard Morningstar, Special Advisor to the President and Secretary of State for U.S. Assistance to the NIS, you expressed interest in the Administration's program of encouraging reform in Ukraine's energy sector and the AID/Eximbank facility. We wanted to take the opportunity to describe the energy sector reforms to which the Government of Ukraine has committed as a condition of approval of the facility.

In two face-to-face official meetings, Mr. Morningstar has made clear to Ukrainian Deputy Prime Minister Shpek that commitment to restructure the power market is an essential condition under which we could implement the $175 million facility. Deputy Prime Minister Shpek understood and accepted that condition and has committed to break up the state-owned power monopoly into the following parts:

Four already established, competing electricity generating companies that will be privatized; a national electricity transmission company; twenty-seven independent, joint stock local electric companies; and a competitive market for power by the end of March 1996 in which the generation companies bid to supply the local distribution companies with electricity at the lowest price.

This commitment is above and beyond any IMF conditions and any condition for any existing World Bank loan. Creation of the power market will become part of the negotiations for an upcoming World Bank loan. The AID/Eximbank credit will give the Government of Ukraine short-term funding flexibility to implement the energy market structure and will help to leverage the World Bank financing.

The AID/Eximbank facility is a special export credit insurance facility for U.S. exporters of agricultural-related goods and services to Ukraine. The purchase of refined fuel agricultural inputs—up to $100 million of the $175 million facility and of critical importance to the Government of Ukraine—would qualify for coverage under the program; however, the facility may not be used for broader, untied fuel purchases. We strongly believe that the commitment to the reforms outlined above justifies the inclusion of refined fuel products in the agriculture credit facility. The facility will operate according to ExIm's regulations and Eximbank will recommend whether to extend insurance coverage on a case-by-case basis. We assure you that any agricultural fuel inputs will be closely monitored and traced to agricultural use. As we go forward with this program we will be sure that it remains consistent with our broader efforts to promoting reform in Ukraine.