

THE TRUE IMPACTS OF NAFTA ON
THE U.S. ECONOMY**HON. PETER A. DeFAZIO**

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 10, 1997

Mr. DEFAZIO. Mr. Speaker, I recommend that all my colleagues read the article reprinted below from the Washington Times by Charles McMillion for an objective assessment of the true impacts of NAFTA on the U.S. economy.

[From the Washington Times, Sept. 1, 1997]
U.S. SHOULD SLOW DOWN AND THINK BEFORE
RACING AHEAD ON FAST TRACK

(By Charles W. McMillion)

There are few things more important to our local and national economy today than global investment and trade. With our terrific new technologies and more than 1 billion (one in three) of the world's workers unemployed, what policies work best in driving growth and prosperity?

Unfortunately, this is not the high-minded debate we will hear this week as Congress begins discussions on renewing "fast-track" negotiating authority for President Clinton to expand the North American Free Trade Agreement south of Mexico.

Instead, brace yourself for an awesome display of big-money arrogance and raw public relations power by the few dozen largest corporations and financial institutions that dominate discourse on these vital concerns.

Speaking for these powerful special interests—and key campaign contributors—President Clinton declared again last week: "Already, over the last four years more than 25 percent of our economic growth has come from overseas trade."

This statement may be true for the small group of private interests. But it is pure nonsense for the U.S. economy. The United States must borrow from abroad or sell assets worth \$3 billion each week to pay for our trade losses. Workers and firms throughout the country have taken cuts in pay and profits to avoid becoming a trade statistic.

Yet global trade is one of the four defining elements of our nation's gross domestic product. The others are consumer spending, private investment and government spending.

U.S. economic losses from trade, large when Mr. Clinton came into office, have grown each year, setting world records. Trade has sharply reduced the U.S. economy. It is one of the reasons that growth has been slower and the U.S. dollar far weaker in the current recovery than in any other similar period on record.

Beyond the simple arithmetic, U.S. trade losses are now compounded by the composition of trade. Unlike a generation ago, when oil and basic commodities accounted for most U.S. trade losses, today's losses are dominated by autos and high-tech electronics. Global commerce, dominated by a few transnational companies, is now largely a tool that undermines domestic producers and living standards.

While the Dow Jones industrial average has soared more than 150 percent the past five years, average salaries, health care and retirement benefits have declined.

But despite these facts, a "globaloney" PR campaign will promote the benefits of expanding NAFTA.

NAFTA, ratified four years ago, was sold by the business and political elite as a precedent-setting investment and trade pact among the sleeping giant of Mexico, with its population of 93 million, the United States

(population 260 million) and Canada (population 29 million). But the administration and big-business lobby have recently been forced to wildly spin NAFTA's effects.

Several no-longer (if ever) independent "think tanks" funded by transnationals, their foundations and the government, from Brookings to Heritage, have put out reports using remarkably similar and inappropriate assumptions to reach the conclusion that NAFTA has had a slight but positive effect on both the United States and Mexico.

Yet under NAFTA Mexico has suffered its worst depression since the 1930s, with incomes still 15 percent to 20 percent below 1993 levels.

Gone is any reference to Mexico's population, three times the size of Canada's, or to its young and well-educated labor force, which is growing by more than 1 million per year. Now Mexico is presented as an almost insignificant little place with an economy only one-twenty-eighth the size of the U.S. economy. This to pretend that Mexico can have very little effect on U.S. workers or firms.

Gone also is any mention of the post-NAFTA \$50 billion package of stabilization loans that the administration insisted two years ago was essential to head off economic collapse in Mexico. This omission is particularly odd because it was the equivalent of a \$1.4 trillion loan, had it been made to the United States.

Now the spin is that "opponents can't dispute" the claim that NAFTA greatly cushioned the impact of Mexico's economic crisis. Of course, if there were any "cushioning" effect on U.S.-Mexico trade, this massive U.S. loan—not NAFTA—would deserve the, well, credit.

And what, exactly, is the extent of this supposed cushioning on U.S. trade? On a balance-of-payments basis, the worst previous U.S. trade losses with Mexico were in 1983 and 1984, when they reached \$7.5 billion and \$6.1 billion, respectively, and were concentrated in oil and simple commodities. By contrast, U.S. trade losses soared to \$16.6 billion and \$18.4 billion in 1995 and 1996, respectively. U.S. trade losses to Mexico are concentrated now in high-wage, highly productive manufacturing industries such as autos and electronics.

By contrast, the rest of the world continues to enjoy large trade surpluses with Mexico.

Peso devaluations have been a common occurrence in Mexico for a generation. The 47 percent devaluation in 1995 was less severe than devaluations in 1982, 1983, 1986 and 1987 and barely worse than those in 1984, 1985 and 1988. It is not politically correct to ask the obvious question: Why are the effects of the post-NAFTA devaluation so much worse than those that came before?

The answer points to the failed elements of NAFTA and to the debate that is needed before repeating mistakes that are already costly to most citizens, even as they enrich a powerful few.

NAFTA has far more to do with providing new powers to investors and speculators than with tariff reduction. Tariffs now amount to no more than a few percentage points and are insignificant in the face of 10-to-1 or 20-to-1 differentials in production costs between the United States and Mexico for many industries.

These new private powers give investors, for example, the standing to sue governments directly in international tribunals over a wide range of ill-defined regulatory matters. These powers are what suddenly catapulted \$60 billion in global hot money into Mexico as NAFTA took shape, turning it briefly into the fast-buck capital of the world.

As the International Monetary Fund and others have noted, these massive capital flows leave countries highly vulnerable to worldwide events, dramatically increase investors' influence and leave governments little room to maneuver in time of crisis.

NAFTA's investors and trade provisions have clearly failed the vast majority of Americans and Mexicans. To ignore this experience and lurch ahead could be a fast track to deep trouble.

TRIBUTE TO SAMUEL L. JACKSON

HON. ROBERT T. MATSUI

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 10, 1997

Mr. MATSUI. Mr. Speaker, we rise today to pay tribute to an exceptional public servant and leader in the Sacramento community, Mr. Samuel L. Jackson.

A native of Florida, Sam Jackson was born in Pensacola in 1947. Early on, Mr. Jackson set himself apart as an honor roll student committed to obtaining a worthy education. To further this goal, Mr. Jackson enlisted in the U.S. Air Force in 1966. His military service, including a 13-month tour of duty in Vietnam, allowed him to serve his country and earn money for college.

After his discharge from the Air Force in 1970, Mr. Jackson followed through on his educational goals, first at Sacramento City College, and then at California State University, Sacramento. Following his graduation with honors from CSUS, Mr. Jackson enrolled at the University of the Pacific, McGeorge School of Law in 1974. There, he served as president of the Black Law Students Association in 1976. At his graduation from McGeorge in 1977, Mr. Jackson was presented the Faculty Outstanding Student Achievement Award, becoming the first student of color to ever receive that high honor.

As a young attorney, Sam Jackson worked as a criminal prosecutor in the Sacramento County District Attorney's Office from 1977 until 1979. Then, he accepted a position with the city of Sacramento as a deputy city attorney. By 1988, Mr. Jackson had risen to the position of senior deputy city attorney in the minimum time allowed. In 1989, he became the first African-American elected president of the Sacramento County Bar Association.

Mr. Jackson also maintained his long-standing commitment to education by serving as a professor of legal studies at American River College from 1979 to 1994.

In 1994, Sam Jackson's tireless efforts on behalf of the people of Sacramento, marked by an esteemed reputation for integrity and community activism, earned him the post of city attorney by a unanimous vote of the city council. In this position, Sam Jackson has excelled as a tough litigator for the city of Sacramento. But he has never foregone the community service endeavors which are so near to his heart, especially his work with children.

As a strong advocate for the Big Brothers and Big Sisters organization, Little League baseball, Sacramento's St. Hope Academy, and the Citizenship and Law-Related Education Center, Sam Jackson has established a legacy of service on behalf of Sacramento's youth.

He has also thrived in a number of influential professional legal organizations in California. In 1995, he became the first African-

American elected to the California State Bar's board of governors. He also became the first person of color elected president of the Alumni Association for his alma mater, McGeorge Law School.

Mr. Speaker, we ask our colleagues to join us in saluting Samuel L. Jackson for a remarkable record of professional excellence and community service. The people of Sacramento are the proud beneficiaries of Sam Jackson's hard work and good citizenship.

MEDICARE

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 10, 1997

Mr. HAMILTON. Mr. Speaker, I would like to insert my Washington Report for Wednesday, August 13, 1997, into the CONGRESSIONAL RECORD:

REFORMING MEDICARE¹

Medicare has been a very successful government program in providing for the health of older persons and the disabled. It has substantially improved access to health care. Because of Medicare, the percentage of older Americans with health coverage has increased from less than 50% in the 1960s to 99% today. And since it was initiated three decades ago, life expectancy at age 65 has increased by more than it did in the six decades before Medicare. All of this has made Medicare one of our most popular social programs.

But Medicare has some major cost-related problems. First, its sharply increasing costs have been a major contributor to the large budget deficits of recent years. In just three decades its costs have grown to about 2½% of the nation's gross domestic product (GDP). And if no action is taken it will claim nearly 4% GDP ten years from now and 8% of GDP by the middle of the next century. It is simply not possible to balance the budget and keep it balanced unless large Medicare savings are achieved. Second, the numbers driving the future projections are simply relentless. Today we have 24 million retirees, but when the baby boom generation is fully retired the figure will be 48 million. Yet the number of working-age citizens whose payroll taxes finance most of the Medicare benefits will increase only 20% in that period and Medicare spending per beneficiary continues to rise. Third, excess care is often provided, as beneficiaries simply do not have to decide if medical services are worth their cost. And providers do not have sufficient incentive to reduce the cost of medical services because their payments are based on the number and type of services they provide. Finally, the amount of fraud and waste in the Medicare program, is huge. The government spends about \$200 billion a year on Medicare, yet recent estimates are that ½ of that consists of overpayment. We now have only about one agent to investigate every \$10 billion of Medicare spending.

Program Changes: Given the rapid projected growth in Medicare, it is not politically realistic to expect tax increases to restore solvency to the program, especially in the current anti-tax mood in the country. Thus Congress is focusing on cutting back costs and restructuring the Medicare program. There are three main approaches: cutting back payments to providers (doctors and hospitals), requiring Medicare beneficiaries to pay more, and restricting Medicare to provide for market-based incentives.

These approaches are not mutually exclusive, and reform is proceeding along all three lines.

Cutting back payments to providers: Medicare's prospective payment system for hospitals has helped curb payments to providers. This system creates roughly 470 diagnosis-related groups (DRGs) into which hospitals admissions have to be placed. It is a complex system, but it has created incentives for hospitals to be more efficient. Yet the prospective payment system is no panacea. The payments apply only to certain Medicare-covered services, and when payments to providers are cut back they often respond by performing more services to offset some of their income loss. The recently passed budget reconciliation agreement achieved most of its savings by curbing and reforming payments to providers, but it is generally agreed now that cutting back fees is not a long-range solution to the Medicare problem.

Making patients pay more: Another approach is to make the beneficiaries—the patients—pay more. More of the burden could be shifted to beneficiaries by increasing their costs or increasing the age of Medicare eligibility. In general, most of the experts think that it makes some sense to impose at least part of the burden on Medicare beneficiaries since they are the ones who receive the benefits. This year Congress considered proposals to strengthen Medicare's financial condition by charging extra premiums to wealthier retirees, raising the eligibility age, and imposing a co-payment of \$5 per visit for home health care services. None of those proposals survived in the final bill, but there is broad agreement that it would be a mistake to consider them dead.

Restructuring program: The third approach is to redesign the Medicare system in a way that can improve its efficiency. Today Medicare guarantees people a particular insurance plan. An alternative, "choice-based", system would guarantee people a fixed amount of money with which to purchase health insurance, but it would not specify which policy they are to receive. The shopping for insurance plans would encourage the plans to be more efficient and would create more competition. A choice-based system probably holds the most promise for restraining costs, but it will not be easy to implement. The choices offered, the price, the eligibility for the plans, and how to protect poorer beneficiaries all would have to be worked out.

Congressional Action. Congress must soon begin a fundamental reexamination of this immensely popular but hugely expensive program. I believe Americans understand the need for change. They recognize the amount of fraud and waste in the Medicare system and also realize that the projections about its future growth mean the program in its present form is unsustainable. But Medicare reform is as difficult as it is essential. The temptation for the politician is to deal only with the problems of the next few years but not much beyond. But Medicare will need more than that. It is certainly going to be a major test of the nation's political system to see if it has the capacity to resolve the problems for the longer term rather than to lurch from one crisis to another.

The sooner we begin restructuring Medicare the more options we will have and the less wrenching the changes will be. Whatever changes are made, caution and prudence will be virtues in dealing with a program as vital to millions of vulnerable Americans as Medicare. The reform process should proceed at a deliberate pace. It does not have to be accomplished all in a matter of two or three years. It will be complicated, divisive, and time-consuming. I doubt very much if we get

it correct the first time. Mid-course corrections and adjustments will be necessary throughout the process, but it is very clear to me that we should get on with the job.

¹Material taken from *Setting National Priorities: Budget Choices for the Next Century*, Robert D. Reischauer, Editor, The Brookings Institution Press, Washington, DC, 1997.

SAINT JOAN OF ARC ELEMENTARY SCHOOL AWARDED NATIONAL BLUE RIBBON AWARD

HON. THOMAS J. MANTON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 10, 1997

Mr. MANTON. Mr. Speaker, I rise today to recognize the outstanding work and educational achievements of Saint Joan of Arc Elementary School in Jackson Heights, NY. The school has recently been selected as a Blue Ribbon School Program winner by the U.S. Department of Education.

Established in 1982, the Blue Ribbon Schools Program honors elementary and secondary schools that offer rigorous, efficacious curricula to their students. Schools selected for the Blue Ribbon Award must have challenging academic standards and curriculum, high retention and graduation rates, strong school, family, and community partnerships, excellent teaching and teacher development, and must provide a safe, disciplined, drug-free learning environment for their students.

Schools were nominated by State education agencies, the Council for American Private Education, and the Department of Defense Dependents Schools. Schools selected for recognition conducted a rigorous self-evaluation involving administrators, faculty, students, parents, and community representatives in the completion of their nomination application. This self-evaluation included an assessment of the school's individual strengths and weaknesses and the development of strategic plans for the future.

Saint Joan of Arc Elementary School is one of only 36 private schools and 226 public schools selected from among the 527 schools, from over 40 States, to be nominated this year. Saint Joan of Arc is the only school in the city of New York and the only Catholic School in the State of New York to be so honored.

In today's world where many students are forced to attend school in overcrowded classrooms, learn from outdated textbooks, do without the most basic computer technologies, it is imperative that we commend and encourage those institutions and educators who excel.

Mr. Speaker, I know my colleagues join me in congratulating the administrators, faculty, and students of Saint Joan of Arc School on their outstanding achievement.

INTRODUCTION OF THE FAIR ACCESS TO INDEMNITY AND REIMBURSEMENT [FAIR] ACT

HON. HARRIS W. FAWELL

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 10, 1997

Mr. FAWELL. Mr. Speaker, I rise today to introduce a bill which will level the playing field