SECTION 1—RESTRICTION OF NEW PROGRAMS

Prohibits money received by the federal government from a global tobacco settlement or from any state settlement from being used to create or maintain any new federal programs unless they are specifically authorized by federal legislation implementing the settlement.

Prohibits tobacco settlement money from being used to expand currently-existing programs unless such expansion is specifically authorized in the terms of the federal legislation implementing the settlement.

SECTION 2—USE OF EXCESS REVENUES

Directs revenues in excess of those used for programs specifically authorized in the terms of legislation implementing any portion of a global tobacco settlement toward tax relief (1/3) and debt repayment (2/3).

Creates a ''Tax Cut Offset Trust Fund'' into which the 1/3 slated for tax relief will be placed for use as Congress, by law, directs.

SECTION 3—SPECIFICS OF DEBT REDUCTION

Exchanges marketable government securities for unmarketable securities currently in the Social Security and other Trust Funds, thereby repaying these trust funds and reducing the national debt.

Requires that after all Trust Fund accounts are replenished, excess revenues be used for direct payments on the national debt.

SECTION 4—PROHIBITION ON USE OF EXCESS FUNDS

Prohibits excess revenues from being counted as new budget authority, outlays, receipts, deficit or surplus, for budget estimates.

Requires that when funds are expended from any trust fund into which tobacco settlement money is placed, a corresponding amount of marketable securities in those funds be sold, and the trust fund balance reduced accordingly.

SWEENEY AND BECKER ON THE RIGHTS AND ROLE OF LABOR IN THE GLOBAL ECONOMY

HON. JOHN J. LaFALCE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 11, 1998

Mr. LAFALCE. Mr. Speaker, as world attention has focused on the financial crisis in East Asia, we have failed to consider the role of labor in resolving the Asian economic turmoil. The plight of Asian workers—and by extension, U.S. workers has been addressed only secondarily. Government and institutional officials lament the impact of reduced budgets, higher interest rates, and other deflationary actions on nations' workers, but opine that there is no other choice. In the long run, they argue, all workers will be better off by having a sound economy.

Mr. Speaker, this is old-fashioned thinking for a new age of globalization. Globalization means that we are all tied together. Governments, capitalists, financiers, and labor share economic problems and an economic future. We must either resolve our problems together or the problems will not be resolved. As the President of the AFL–CIO, John Sweeney, recently told participants at the World Economic Forum in Davos, Switzerland, ''If labor has no role, democracy has no future.'' Labor must be part of the solution.

If we do not craft a global economy that allows all participants to benefit from growth, that ensures workers a voice in the economic architecture of the global economy, and that gives as much importance to the rights of labor as to the rights of capital, then globalization will not work. We will continue to fight economic crisis after economic crisis. And in the end, it will not be the financial fires that burn us—it will be the social and political flames that engulf us.

There are steps to be taken. First, the United States must speak out forcefully and at every opportunity for the rights of workers. Internationally recognized labor rights are not onerous to observe. They are the core, basic human rights that the United States should promote and defend as the world's leading democracy.

Second, the United States must actively commit to the Conventions of the International Labor Organization (ILO) by ratifying its core Conventions. There are now 181 Conventions. The United States has ratified 12, and only one—Convention 105 on forced labor—is considered a core Convention. Other core Conventions relate to rights of association, the right to organize and bargain collectively, minimum wage, and child labor. The U.S. should make ratification of all the core Conventions a top priority. The White House now has Convention 111 under consideration that would prohibit discrimination in employment based on race, gender, religion, or national origin. The White House should send this Convention to the Senate for ratification as quickly as possible.

Third, the United States should urge the International Monetary Fund to incorporate labor considerations and standards into its discussions and stabilization programs with member countries. A thriving, prosperous community of workers will translate to a thriving prosperous economy. If workers are left to bear the burdens of economic stabilization inequitably, then countries, companies, and investors will not achieve their stabilization objectives. Mr. Speaker, President John J. Sweeney of the AFL–CIO and President George Becker of the United Steelworkers of America made this case with eloquence and have advanced specific proposals. I wish to submit to the RECORD Mr. Sweeney's speech in Davos, Switzerland on January 31, 1998 and Mr. Becker's testimony before the Committee on Banking and Financial Services on February 3, 1998.

COMMENTS BY JOHN J. SWEENEY

It is a privilege and a pleasure to address the World Economic Forum, and to join the distinguished members of this panel.

Does labor have a role in defining the future? In the United States, ask the opponents of the minimum wage. Or the management of United Parcel Service. Or the proponents of fast track trade accords that ignore labor rights and environmental protections.

Let us be very clear. If labor has no role, democracy has no future. Social Justice does not ''compromise the efficiency of the model.'' It is essential to its survival. If this global economy cannot be made to work for working people, it will rap a reaction that may make the Twentieth Century seem tranquil by comparison.

We meet at an historic turning—one that everyone in these meetings must see. The long effort to build the global market has succeeded. Capital and currencies have been de-regulated. Great corporations have built global systems of production, distribution, marketing. Barriers have been dismantled. Technology's miracles are turning our world into one neighborhood.

But the turnoil affliction the Asian economics sounds a dramatic alarm. The question now is not how to create the global market, but how to put sensible boundaries on the market that already exists. How to make the market work for the majority and not simply for the few. In this new effort, labor and other democratic citizen movements will and must play a central role.

Look around the world. Japan mired in recession, Asia in crisis that China still faces. Russia plagued by a kind of primitive, gangster capitalism, Europe stagnant. Africa largely written off by global investors, Latin America adrift.

The US is hailed as the great ''model.'' Our prosperity is unmatched; the dollar is strong; our budget balanced. Unemployment and inflation are down and profits are up. But, most working people in the United States today labor longer and harder simply to hold their own. One in four children is born to poverty. One in five workers goes without health insurance. The blessings of prosperity have been largely captured by the few. Inequality is at level so obscene that New York investment houses this year warned executives not to talk about the size of their bonuses.

And now, the Asian nations are forced to export their deflation to the U.S. Our annual trade deficit will soar towards $300 billion. Over one million U.S. workers are projected to lose their jobs. Wages, only now beginning to recover, will once again be depressed. And this is the ''model'' in the best of times.

The current collapse calls into question not simply Asian practices but the global system itself. As Korean President Kim Dae Jung has said, authoritarian systems in Asian lived a lie. But their crony capitalism was bankrolled by the reckless high rollers of the global casino, including Japanese, European and American banks and investment houses.

The response to the crisis reveals the limit of the current arrangement. Conservatives say let the market solve the problem. But since the Great Depression no sensible leadership would take that gamble. The IMF is called in to stop the hemorrhaging. It bails out the speculators and enforces austerity on the people. Its prescription reinforces the very affliction it seeks to cure.

Treasury Secretary Robert Rubin has wisely warned about the ''moral hazard'' of bailing out profligate speculators and banks.

But too little has been said about the ''immoral hazard'' of forcing working people across the world to pay the price—in layoffs, declining wages and increasing insecurity.

I have just returned from Mexico, which has been presented as a ''successes'' for Asians to follow. There, speculators and bond holders had their losses covered. But some two million workers lost their jobs. The middle class has been crushed. Wages lost over half their value. Environmental poisoning is worse than ever. Political violence is spreading. Crime is spiraling out of control. Few nations can weather this form of success.

This global system broadcasts its stark contrasts—of untold wealth for the few and growing insecurity for the many, of laws that protect property and expose people, of liberated capital and repressed workers. The inequities are indefensible ethically, but they are also unsustainable economically—as U.S. Federal Reserve Chair Alan Greenspan suggests with his warnings about deflation.

I suggest to you that we must usher in a new era of reform. One that seeks not more de-regulation, but greater accountability. Not further unleashing of speculative capital, but channeling of real investment. Not greater license for corporations, but empowerment of workers and citizens.

Labor, environmental, and democratic citizen movements are already struggling to define this new internationalism in practice and in policy. At the AFO–CIO, we are building stronger working relations with unions across the world. We fight to defend labor rights at home and abroad. We are uniting with other citizen movements to struggle for basic environmental, consumer and civil rights. We will demand coordinated efforts to stimulate growth, to regulate currency and capital speculation, to extend labor and democratic rights as part of the response to the Asian collapse.

At the beginning of this century, the industrial revolution created new promise and glaring inequities. It took many decades—and revolutions, wars and a Great Depression—to elaborate the protections that saved that system from itself. Now at the beginning of the 21st century, the global economy poses the same challenge. Let us hope we need not relive the horrors of the past to reach its promise for the future.

TESTIMONY OF GEORGE BECKER

Mr. Chairman and Members of the Committee: My name is George Becker, and I am president of the United Steelworkers of America and chairman of the Economic Policy Committee of the Executive council of the AFL–CIO. I appreciate the opportunity to be here today on behalf of the thirteen million working men and women of the AFL–CIO. We in the labor movement are well aware that the financial crisis now roaring through east Asia will have profound consequences for working people all over the world. We stand in solidarity with the working people of Asia to urge the International Monetary Fund (IMF) and the U.S. Congress to put the interests of workers and communities at the top of their priority list as they take steps to address this crisis—not at the bottom, after the bankers, financiers, and multinational businesses have been taken care of.

Deep currency devaluations, in conjunction with austerity programs, will cut wages and purchasing power in South Korea, Indonesia, and Thailand. The United States will be pressured to act as importer-of-last-resort, absorbing cheap Asian goods while at the same time Asian markets for our exports dwindle.

In the aftermath of the crisis, the U.S. trade deficit is projected to grow by about $100 billion in 1998, resulting in a loss of approximately 1 million jobs (or potential jobs), most of them in the better-paying manufacturing sector. Job losses will be heavily concentrated in industries such as steel, electronics, apparel, and automobiles, in which east Asia is a large producer. Buyers in these key industries are enormously price sensitive. Export-intensive industries such as aircraft and capital goods will also suffer. Boeing is already reporting that Garuda Airlines of Indonesia has delayed taking delivery of six jets. If the crisis worsens, China will certainly reduce others.

Without fundamental changes in the structure of international financial markets and the institutions that regulate these markets, we can expect continued volatility and future crises of growing severity. The present moment of crisis is the time to press for necessary changes in the international financial system, particularly in the conditions imposed by the IMF in exchange for the ‘‘bailouts’’ it gives to countries that have exhausted all other sources of credit. The United States should condition further contributions to the IMF on fundamental changes in the IMF's program.

The clout and leverage exercised by the IMF must serve a broad set of social and economic goals. Currently, the IMF defines its mission narrowly, as protecting the interests of international capital. The IMF requires debtor governments to raise interest rates, cut public spending, deregulate financial markets, and weaken labor laws to facilitate massive layoffs and deep wage cuts. These terms may solve some short-term credibility problems with foreign investors, but will necessarily exacerbate the tensions, inequality, and instability of the global economy. Such policies are short-sighted and must be fundamentally altered.

The United States, which is the single largest contributor to the IMF, must use every means at its disposal, both formal and informal, to change the way the IMF operates. The AFL–CIO will support members of congress in efforts to assure that IMF programs reflect the following principles:

1. Commitment to and vigorous enforcement of international labor and human rights. Countries that receive IMF funds must commit themselves, in an enforceable way, to respect for internationally recognized worker rights. If necessary, this would involve modification of laws and practice to comply with ILO standards and human rights. These commitments must ensure that governments will protect workers' rights, even during times of crisis. Strong and independent labor unions play a crucial and irreplaceable role in assuring that the benefits of economic expansion are equitably distributed.

Some Administration spokespeople have argued that it is impossible to introduce worker rights conditionality in the context of emergency bailouts, given the short timeframe and the many other demands being put forth. We disagree. In any case, however, time pressures do not prevent the IMF from taking such action with respect to the seventy or so countries not in immediate crisis that are also receiving IMF funding. We realize that implementing such provisions cannot be accomplished unilaterally by the United States, but representatives of the U.S. government need to declare publicly that this is a policy we are seeking to achieve. This need to be consistently reinforced by all relevant U.S. government agencies.

The Sanders-Frank Amendment, enacted by Congress in 1994, requires that the U.S. Executive Directors to the international financial institutions (including the IMF and World Bank, among others) use the ‘‘voice and vote of the United States’’ to urge these institutions to encourage borrowing countries to guarantee internationally recognized worker rights. Our experience to date with this law has been disappointing. Nowhere in the IMF program for Indonesia, for example, are worker rights given even a cursory mention. Yet, in principle, with a contribution of 18 percent of the IMF's quotas, the United States could, if it so chose, effectively veto any loan package (IMF rules require 85 percent agreement on most decisions).

In addition to using our voice and vote at the IMF to this end, the U.S. government can and should act to garner support for such a move from our trading partners, especially in Europe. It would be useful to consult with the new governments of France and Britain, in particular, to develop a joint strategy, that would be more effective than independent action on the part of the United States.

We encourage the U.S. government to continue its efforts to bring the ILO into a more central role in the development of structural adjustment packages. Incorporating labor standards and social safety nets in the IMF program will produce an adjustment program that is more equitable, more successful and more sustainable, as has been shown in the case of the Czech Republic. A more balanced program will ensure that IMF demands for labor market flexibility (often functionally equivalent to weakening labor unions) are consistent with core labor rights.

Finally, the imprisonment of Muchtar Pakpahan in Indonesia continues to serve as an egregious and glaring example of the IMF's and the U.S. government's indifference toward worker rights. If it is possible for the IMF to recommend dismantling Korean labor law as a condition of emergency loans, then surely it is possible for the IMF to use its extraordinary leverage to force the Indonesian government to free this courageous and suffering man. Mr. Pakpahan's only crime is to have worked toward building independent labor unions. His health continues to be precarious, and his medical care continues to be extremely inadequate. U.S. government officials who have visited Indonesia recently have failed to make any public statements advocating the release of Mr. Pakpahan. Whatever private communications that may have taken place, if any, have failed to yield results. The release of Muchtar Pakpahan would be a symbolic, but important, step toward recognition of how integral the improvement of labor rights is to the current situation. It would also be a positive statement to Indonesian workers that welcome changes are occurring.

2. Domestic economic growth and development, not austerity and export-led growth. The model that led to this crisis glorifies export expansion as the preferred development path. This model leads to destructive, low-road international competition and worker impoverishment and is ultimately unsustainable, as the current crisis demonstrates. The United States has neither the capacity nor the will to absorb unlimited exports; thus, the rescue plan for east Asia must not rely exclusively on this premise. The U.S., Europe, and Japan must work together to stimulate domestic demand in the developing economies and avert a dangerous tendency toward global deflation.

3. Reduction in the volume of destabilizing capital flows. Over the long run, it is essential that policies to regulate short-term borrowing and to dampen speculative flows of capital be implemented. There are three structural dimensions to the crisis. They concern the interaction of exchange rates, foreign portfolio investment, and foreign currency denominated lending. All three dimensions need to be addressed.

First, the existing system is unstable and vulnerable to speculative exchange rate movements. A small ‘‘Tobin’’ transactions tax on foreign exchange dealings would discourage speculatively induced collapses. It would be sufficiently large to penalize speculative trading, but not so large as to deter long-term investors.

Second, foreign portfolio investment is extremely sensitive to exchange rate movements. The natural mechanism to slow such flows are ‘‘speed bumps,’’ whereby investors commit to a minimum stay when they bring money in. Speed bumps stop sudden outflows because investors cannot withdraw their money at will. This has the beneficial effect of forcing investors to consider risk carefully before committing money.

The third element of the crisis concerns foreign currency denominated loans. Many countries cannot borrow in their own currency, and are therefore exposed to increases in debt burdens resulting from foreign exchange fluctuations. Since it is costly to ‘‘hedge,’’ or pay a small fee to ensure against currency loss, borrowers often choose not to do so. Monetary authorities should require lenders to hedge their foreign country loans. This is equivalent, in a rough sense, to requiring international deposit insurance. This will cause the cost of credit to rise. However, the risk is there, and it needs to be priced in. Credit should not be subsidized through the provision of bail-outs paid for by taxpayers.

4. Transparency and broader participation in determining IMF policy. The IMF must consult regularly with labor unions and other broad-based organizations, not just with business and financial institutions, in the development of structural adjustment programs and emergency loan packages. Program documents should be made publicly available. By recognizing that workers must be included in developing a response to economic crisis, the tripartite commission (including representatives of labor, business, and government) established in South Korea is a promising step.

5. Ensure that speculators pay their fair share. The banks, corporations, and individuals who profited from risky investments during good times must not be shielded from losses during downturns. Banks must reschedule their debts with longer maturities and at appropriate terms, ensuring that financial losses fall on those who made poor decisions. This must be an explicit and widely understood condition for future IMF funding, as well. Asian and American workers and taxpayers must not be asked to foot the bill for a party to which they were not invited.

In his testimony before this committee on January 30, Secretary of the Treasury Robert Rubin argued that forcing investors and creditors to take losses involuntarily would ''risk serious adverse consequences.'' He cited three reasons, none of which is entirely convincing. He argued that forcing losses could cause banks to pull money out of the country involved. Yet, banks are already pulling what money they can out of these countries. He raised the concern that such actions would reduce the nation's ability to access new sources of private capital. This was not, however, the experience of the 1980s, when banks did return to markets (such as Brazil) where they had been forced to accept reduced payments on their loans—after stability had returned. Third, Secretary Rubin argued, the ''most troubling'' issue was that this could cause banks to ''pull back'' from other emerging markets. But is not a central cause of this problem that banks have loaned excessively and imprudently in these emerging markets? It should be considered an advantage if a policy change causes banks to act more cautiously in the future.

Even if we move toward reform of the international financial system, concrete steps must be taken to stop the destabilizing flood of cheapened imports which have already been unleashed by this crisis. Strategic intervention by the United States and Japan could help the embattled currencies of Indonesia, Thailand, and South Korea stablize and regain some of their lost value. In the United States, steel, autos, electronics, apparel, and other threatened industries face an immediate threat which requires specific trade actions to maintain import shares consistent with 1997 levels in order to protect the jobs of these workers.

ASIAN FINANCIAL CRISIS

The financial crisis now roaring through east Asia will have profound consequences for working people all over the world. Deep currency devaluations, in conjunction with austerity programs, will cut wages and purchasing power in South Korea, Indonesia, and Thailand. The United States will be pressured to act as importer-of-last-resort, absorbing cheap Asian goods while at the same time Asian markets for our exports dwindle.

In the aftermath of the crisis, the U.S. trade deficit is projected to grow by about $100 billion in 1998, resulting in a loss of approximately 1 million jobs (or potential jobs), most of them in the better-paying manufacturing sector.

Without fundamental changes in the structure of international financial markets and the institutions that regulate these markets, we can expect continued volatility and future crises of growing severity. The present moment of crisis is the time to press for necessary changes in the international financial system, particularly in the conditions imposed by the International Monetary Fund (IMF) in exchange for the ''bailouts'' it gives to countries that have exhausted all other sources of credit. The United States should condition further contributions to the IMF on fundamental changes in the IMF's program.

The clout and leverage exercised by the IMF must serve a broader set of social and economic goals. Currently, the IMF defines its mission narrowly, as protecting the interests of international capital. The IMF requires debtor governments to raise interest rates, cut public spending, deregulate financial markets, and weaken labor laws to facilitate massive layoffs and deep wage cuts. These terms may solve some short-term credibility problems with foreign investors, but will necessarily exacerbate the tensions, inequality, and instability of the global economy. Such policies are short-sighted and must be fundamentally altered.

The United States, which is the single largest contributor to the IMF, must use every means at its disposal, both formal and informal, to change the way the IMF operates. The AFL–CIO will support members of Congress in efforts to assure that IMF programs reflect the following principles:

1. Commitment to and vigorous enforcement of international labor and human rights. Countries that receive IMF funds must commit themselves, in an enforceable way, to respect for internationally recognized worker rights. If necessary, this would involve modification of laws and practice to comply with ILO standards and human rights. These commitments must ensure that governments will protect workers' rights, even during times of crisis. Strong and independent labor unions play a crucial and irreplaceable role in assuring that the benefits of economic expansion are equitably distributed.

2. Domestic economic growth and development, not austerity and export-led growth. The model that led to this crisis glorifies export expansion as the preferred development path. This model leads to destructive, low-road international competition and worker impoverishment and must be reversed. The United States, Europe, and Japan must work together to stimulate domestic demand in the developing economies and avert a dangerous tendency toward global deflation.

3. Political and economic democracy. Without a strong and vibrant civil society, there is no counterweight to crony capitalism and no accountability for governments.

4. Reduction in the volume of destabilizing capital flows. Policies to regulate short-term borrowing and to dampen speculative flows of capital must be implemented.

5. Stabilization of exchange rates at levels closer to their pre-crisis values. The excessive devaluations caused by the loss of confidence in the East Asian currencies should be reversed. This is essential to blunt the negative impact of the crisis on American workers.

6. Transparency and broader participation in determining IMF policy. The IMF must consult regularly with labor unions and other broad-based organizations, not just with business and financial institutions, in the development of structural adjustment programs and emergency loan packages. Program documents should be made publicly available. By recognizing that workers must be included in developing a response to economic crisis, the tripartite commission (including representatives of labor, business, and government) established in South Korea is a promising step.

7. Ensure that speculators pay their fair share. The banks, corporations, and individuals who profited from risky investments during good times must not be shielded from losses during downturns. As banks reschedule their debts, financial losses must fall on those who made poor decisions. Asian and American workers and taxpayers must not be asked to foot the bill for a party to which they were not even invited.

Even if we move toward reform of the international financial system, concrete steps must be taken to stop the destabilizing flood of cheapened imports which have already been unleashed by this crisis. Steel, autos, electronics, apparel, and other threatened industries face an immediate threat which requires specific actions to maintain import shares consistent with 1997 levels in order to protect the jobs of these workers.

IN HONOR OF THE NEW YORK STATE BLACK AND PUERTO RICAN LEGISLATIVE CAUCUS

HON. CHARLES E. SCHUMER
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 11, 1998

Mr. SCHUMER. Mr. Speaker, I stand with you today to pay homage to The New York State Black and Puerto Rican Legislative Caucus and the New York State Association of Black and Puerto Rican Legislators, Inc. as it hosts its 27th Annual Legislative Conference.

The Association, established in 1989, has been the successful non-profit arm of the Caucus. Charged with a philanthropic mission, it functions as an important partner in serving African-American and Latino constituents through scholarship programs and other community projects. I wish to commend them especially for their work in organizing this 1998 Conference.

The Caucus, since its inception in 1966, has successfully led the charge to ensure equal access, protection and representation of the interests of Black and Hispanic constituencies in New York State. To use its own words: ''The Caucus has made it a policy never to wait on others to confront controversial matters but has willingly placed itself forward to be the first to rise to the occasion.'' And they have been true to their word. In Albany they have become formidable advocates for justice, tolerance and fairness in state government.

My years in the New York State Assembly allowed me the opportunity to work with this great body. For me it was an honor to have served beside such fine Caucus members as Al Vann, Denny Farrell and Arthur Eve to name a few. Today, it continues to be an honor to work with such impressive former Caucus members as Representatives RANGEL, OWENS, SERRANO and the newly elected Congressman from Queens, GREGORY MEEKS—all now serving in Washington. I admire the leadership and intensity current and former Caucus members continue to bring to the debate