

partly because, as one of the largest and most liquid emerging markets, it is one of the easiest from which to withdraw. If these trends are not arrested, global flows of capital will be impeded by a plethora of national or regional regulations, a process that has already begun.

The International Monetary Fund, the principal international institution for dealing with the crisis, too often compounds the political instability. Forced by the current crisis into assuming functions for which it never was designed, the IMF has utterly failed to grasp the political impact of its action. In the name of free-market orthodoxy, it usually attempts—in an almost academic manner—to remove all at once every weakness in the economic system of the afflicted country, regardless of whether these caused the crisis or not. In the process, it too often weakens the political structure and with it the precondition of meaningful reform. Like a doctor who has only one pill for every conceivable illness, its nearly invariable remedies mandate austerity, high interest rates to prevent capital outflows and major devaluations to discourage imports and encourage exports.

The inevitable result is a dramatic drop in the standard of living, exploding unemployment and growing hardship, weakening the political institutions necessary to carry out the IMP program.

The situation in Southeast Asia is a case in point.

All this might make sense if the IMF programs brought demonstrable relief. But in every country where the IMF has operated, successive programs have lowered the forecast of the growth rate, which, in Indonesia, is now a negative 10 percent, in Thailand a negative 5 percent and in South Korea an optimistic positive one percent. It could be argued that without the IMF program, conditions would be worse, but his is no consolation to governments and institutions facing massive discontent.

The inability of the IMF to operate where politics and economics intersect is shown by its experience in Russia. In Indonesia the IMF contributed to the destruction of the political framework by excessive emphasis on economics; in Russia it accelerated the collapse of the economy by overemphasizing politics. The IMF is, quite simply, not equipped for the task it has assumed.

The immediate challenge is to overcome the crisis in Brazil and preserve the free-market economics and democracy in Latin America. A firm and unambiguous commitment by the industrial democracies, led by the United States, is essential to buttress the necessary Brazilian reform program.

An expanding American economy is the key to restoration of global growth. Whether this is achieved by a cut in interest rates or a major tax cut, a strong commitment is reinvigorated growth is essential.

Above all, the institutions that deal with international financial crises are in need of reform. A new management to replace that of Bretton Woods is essential. It must find a way to distinguish between long-term and speculative capital, and to cushion the global system from the excesses of the latter.

The IMF must be transformed. It should be returned to its original purpose as a provider of expert advice and judgment, supplemented by short term liquidity support. When the IMF focuses on multibillion-dollar loans, it plays a poker game it cannot possibly win; the "house," in this case the market, simply has too much money. Congress should use the need for IMF replenishment to impose such changes.

Further, the central banks and regulators of the industrial democracies need to turn their attention to the international securi-

ties markets, just as they did to international banking after the debt crisis of the 1980s. Regulatory systems should be strengthened and harmonized; the risks that investors are taking should be made more transparent.

Finally, the private sector must learn to relate itself to the political necessities of host countries. I am disturbed by the tendency to treat the Asian economic crisis as another opportunity to acquire control of Asian companies' assets cheaply and to reconstitute them on the American model. This is courting a long-term disaster. Every effort should be made to work with local partners and to turn acquisitions into genuinely cooperative enterprises.

HONORING HOWARD ST. JOHN

HON. MAURICE D. HINCHEY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 13, 1998

Mr. HINCHEY. Mr. Speaker, before we adjourn for the year, I wanted to take a moment to honor Howard St. John, who is stepping down from the chairmanship of Ulster Savings Bank after a long and very rewarding career there. Howard has had, in a sense, many careers—as a District Attorney, President and member of many professional and charitable boards and associations, and as a very successful local businessman. Through his many endeavors and successes he has never lost his warmth and generosity or his personal touch with regular people. He has contributed to the health and well being of numerous families throughout the Hudson Valley, helping them to realize their dreams in many different ways. I join my friends back home in saluting him upon his retirement from Ulster Savings Bank and wish him the very best in what I hope will be a long and fruitful retirement.

CHARITABLE GIVING INCENTIVE
ACT, HR 3029

HON. JENNIFER DUNN

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 13, 1998

Ms. DUNN. Mr. Speaker, among the provisions included in the tax package we passed yesterday is a provision of great importance to the charitable giving community: an extension of the enhanced deduction for contributions of publicly-traded stock to private foundations. Although extending this deduction benefits many is a useful tool for providing funds for charitable purposes, this deduction alone is not enough.

In this era of ever-tightening fiscal constraints, we have asked our communities to do more and more for those less fortunate. Charitable organizations in our communities have become an integral part of the safety net for the poor and homeless and significant sources of assistance for education, health care, child development and the arts in every community.

To meet the increasing deficit in unmet social needs, the government cannot merely expect the private sector to fill the gap, but must provide the leadership for the use of private sector resources through changes in the tax code. One source of untapped resources for

charitable purposes is the contribution of closely-held corporate stock. Under current law, the tax cost of contributing closely-held stock to a charity or foundation is prohibitive, and it discourages families and owners from disposing of their businesses in this manner.

Earlier this year, I was joined by Representatives Furse, Nethercutt, Hooley, Paul and Smith of Oregon in introducing legislation that would also provide an incentive to business owners to use their corporate wealth for charitable causes. H.R. 3029, the Charitable Giving Incentive Act of 1998, would permit a closely-held business to transfer its assets into a 501(c)(3) charitable organization without paying the 35 percent corporate level tax. Thus, the recipient charity would receive the full benefit of the gift. Identical legislation has also been introduced in the Senate by Senators Smith of Oregon, Feinstein, Wyden, Baucus and Gorton.

In addition to this bipartisan Congressional support, we have garnered support from the charitable community. Below is a letter signed by several organizations that represent thousands of charitable institutions across the country, calling for enactment of this legislation. It is my intention to reintroduce this legislation in the 106th Congress and I look forward to working with the Ways and Means Committee Chairman Archer, Ranking Member Rangel and my House colleagues to legislate changes that will make it easier for the citizens of this country to give to charitable causes.

October 9, 1998

Representative BILL ARCHER,
Chairman, House Committee on Ways and Means,
House of Representatives, Washington, DC.

The undersigned organizations are all tax exempt 501(c)(3) charitable entities, or representatives thereof, whose efforts are dependent upon the charitable giving of concerned individuals. With the needs of our communities growing, and in some cases the financial support from government agencies diminishing, many endeavors are increasingly reliant upon a core group of concerned, consistent, and active givers. It is important to encourage and reward the selfless sharing by this group and to expand its membership.

Accordingly, we support legislation that has been introduced in this Congress to provide tax incentives for the donation of significant amounts of closely-held stock. H.R. 3029 and S. 1412, the Charitable Giving Incentive Act, would permit the tax-free liquidation of a closely-held corporation into a charity if at least 80 percent of the stock of the corporation were donated to a 501(c)(3) organization upon the death of a donor. Thus, the 35 percent corporate tax that would otherwise be paid is not imposed: all of the value of the contribution would go to charitable purposes. This is the same tax result as would occur if the business had been held in non-corporate form.

The current disincentive for substantial contributions of closely-held stock should be corrected at the earliest opportunity. We believe such a change would encourage additional transfers to charity because the donors will see more of the benefit going to the charity and not to taxes. We hope that appropriate tax incentives will encourage more families to devote significant portions of their businesses, and their wealth, to charitable purposes.

As a key member of Congress, we urge your active support for this effort to expand

charitable giving by individuals and businesses. The needs are great. While government cannot do it all, it can provide leadership for others to do more by removing current impediments. Your support and assistance are needed. Thank you for your favorable consideration of this request.

Sincerely,

Council on Foundations, The Children's Foundation, Council of Jewish Federations, The National Federation of Non-profits, The National Community Action Foundation.

THE DEMOCRATIC RIGHTS FOR
UNION MEMBERS ACT OF 1998
(DRUM)

HON. HARRIS W. FAWELL

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 13, 1998

Mr. FAWELL. Mr. Speaker, I rise to introduce the Democratic Rights for Union Members Act of 1998. I am gratified that one of my last acts as a member of Congress, and as Chairman of the Employer-Employee Relations Subcommittee, is to present and discuss legislation which I trust is a first step in amending one of the nation's most important labor laws.

Four decades have passed since the enactment of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA), also known as the Landrum-Griffin Act. The LMRDA is the only law governing the relationship between labor leaders and their rank-and-file membership. When my Subcommittee began hearings in May on the issue of union democracy, our purpose was to determine the status of union democracy under the LMRDA and to see if the democratic principles guaranteed by federal law are being upheld in union activities throughout the United States. We also wanted to identify possible legislative remedies to improve the law if it were falling short in protecting the rights of hardworking men and women who belong to unions.

Since May, the Subcommittee has held four hearings in the union democracy series. In May, we heard from a variety of local union officials and rank-and-file, including those from the Carpenters, Laborers, and Boilermakers unions. We were also privileged to hear from one of the country's foremost expert in union democracy law, Professor Clyde Summers. It was Summers, who, forty years ago, at Senator John F. Kennedy's request, fashioned a "bill of rights" for union members which became Title I of the LMRDA.

Our June hearing featured Herman Benson, a founder and enduring leader of the Association of Union Democracy, as well as the Carpenter's union rank-and-file and their president, Douglas McCarron. This hearing centered on the right to a direct vote which was abrogated by the implementation of a nationwide restructuring of the union resulting in unilateral dissolution and merging of locals.

Hearings in August and September focused on election irregularities and the lack of financial disclosure in the American Radio Association, a small union illustrating the ease with which democratic principles can be lost.

Union democracy is a bi-partisan issue. Even in 1959, the LMRDA was passed because two sides without much in common

came together for the good of the rank and file. My Subcommittee has conducted the union democracy hearings in a bi-partisan manner. I hope Congress can repeat history by passing another bill to amend the LMRDA and further strengthen its principles.

In 1959, labor leaders opposed the LMRDA. In the vanguard of those who led the successful effort to pass the Act were Professor Summers and Herman Benson. Both of these men have been outstanding advocates for unions and the labor movement. Both recognize that you cannot have a strong, healthy labor movement unless rank-and-file members have democratic rights within that movement. As Professor Summers has written, "workers gain no voice in the decision of their working life if they have no voice in the decisions of the union which represents them."

If I had to draw a conclusion from the union democracy hearings held so far this year, I would assume that labor leaders would once again oppose any changes to the Act. It would seem that labor leaders have found the "Loop-holes" in the LMRDA and have not voiced, as of yet, any concerns about how the law operates in practice. Rather, it is the rank-and-file members who have recounted endless accounts of violence, intimidation, abuse and other examples of an erosion of democratic principles in this country's unions.

The next Congress has much work to do on this issue. However, the bill I introduce today is a good start. This legislation makes two necessary amendments to the LMRDA, important first steps, proposed by Professor Summers and Mr. Benson. As I have indicated, these men are pioneers in the field of union democracy law and I implore members from both sides of the aisle to recognize the wisdom of their proposals.

Professor Summers began studying and writing about the rights of union members in 1945 after receiving his law degree. In 1952, he wrote "Democracy in Labor Union," a policy statement adopted by the American Civil Liberties Union. He has been teaching, writing, and lecturing on union democracy law ever since, always with an emphasis on employee rights and industrial democracy. His writings include more than 100 law review articles. To this day, Professor Summers is a tireless advocate of union democracy and served on the board of directors for the Association of Union Democracy.

The Subcommittee also received testimony and assistance from Herman Benson, another of the nation's foremost experts in this field. Mr. Benson is a retired toolmaker and machinist and member of various unions over the years, including United Auto Workers, International Union of Electricians, and United Rubber Workers. From 1959 to 1972, he edited and published "Union Democracy in Action." He co-founded the Association for Union Democracy and continues to serve as editor of "Union Democracy Review." Mr. Benson has devoted his professional career to battling against corruption or authoritarianism in unions. I request that their written statements in support of the bill be placed in the record following the bill and my remarks.

Two basic rights, rooted in democracy, are addressed by my bill. The two provisions address voting rights and trusteeships. Both Professor Summers and Herman Benson strongly believe these steps should be taken. As to the first amendment, the LMRDA permits election

of local union officers by a direct vote, but officers of district councils and other intermediate bodies can be elected by delegates. My bill, DRUM, provides that in instances where an intermediate union body assumes the basic responsibilities customarily performed at the local union level—such as collective bargaining and the running of hiring halls, for example—in these instances, the members would have the right to a direct, secret ballot vote to elect officers of that intermediate body. This is the same right members currently have with respect to electing their local union officers. It is important that officers be elected by direct vote if the vitality of democratic control is to be preserved.

As to the second amendment, the LMRDA intended that local unions could be placed under trusteeship in the event of corruption or other abuse. Unfortunately, trusteeships are sometimes used to eliminate local dissidents and to destroy local autonomy, contrary to the democracy ensured by LMRDA. Moreover, once the trusteeship is imposed, the trusteeship is presumed valid for 18 months. Litigation to remove the trusteeship can take months or year longer. DRUM provides for the removal of this 18 month presumption of the trusteeship's validity. Removal of this presumption opens the door to legitimate challenges to the imposition of a trusteeship. This is the kind of due process any decent union would provide before destroying the local autonomy upon which LMRDA is founded.

These basic individual liberties embody the democratic principles on which this country is founded. These are rights that should be enjoyed by all Americans, and certainly American union workers. I urge all of my colleagues, Republicans and Democrats alike, to join me in supporting these important amendments to the LMRDA, and I urge members of the 106th Congress to build upon this small, but important beginning.

STATEMENT OF CLYDE W. SUMMERS

My name is Clyde W. Summers, and I am Professor of Law at the University of Pennsylvania Law School.

In considering the proposed bill, we must first set out the underlying premises on which it must rest.

When the Wagner Act was passed in 1935, one of the basic purposes of the statute was to give workers an effective voice, through collective bargaining, in decisions which govern their working lives. In the words of that time, to provide for a measure of industrial democracy.

Collective bargaining, however, can serve the purpose of industrial democracy only if the unions which represent the workers are democratic. For workers to have an effective voice in the decisions of the workplace, they must have an effective voice in the decisions of the union which speaks for them. For collective bargaining to serve fully its social and political function in a democratic society, unions must be democratic.

This was the basic premise of the Landrum-Griffin Act. Its fundamental purpose is to guarantee union members their democratic rights within their union and an effective voice within their union. The union would then be responsive to the felt needs and desires of those for whom the union spoke.

The Landrum-Griffin Act has served this purpose in substantial measure. It has provided members a Bill of Rights; it has increased transparency and responsibility in union finances; it has established standards