

THE DEVALUATION OF THE MEXICAN CURRENCY

HON. PHILIP M. CRANE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Friday, January 20, 1995

Mr. CRANE. Mr. Speaker, in recent weeks opponents of the NAFTA have tried to use the devaluation of the Mexican currency as a way to revive their efforts to undermine this historic trade initiative. To be sure, the devaluation of the peso is of great concern to our country because of the economic dislocation it is causing in Mexico. The devaluation will have the unfortunate effect of raising the price of United States exports to Mexico, and will tend to reduce the trade surplus the United States built up with Mexico during 1994, the first year of the NAFTA.

The current situation facing Mexico is unfortunate, but the United States has a strong interest in helping Mexico weather this downturn in its economy. The United States shares a 2,000-mile border with Mexico and our economies are closely linked. Total trade between the United States and Mexico is in the range of \$70 billion a year.

Without NAFTA the current economic situation would be much worse for U.S. businesses and workers. As a comprehensive bilateral free-trade agreement, NAFTA obligates Mexico to solve its economic crisis in ways that ensure that United States products and services will not be shut out of Mexico's market. In the past it was not unusual for Mexico to try to address its currency problems and fiscal difficulties by nationalizing banks and other industries, and otherwise closing the Mexican market to United States goods and services. Because the NAFTA obligates Mexico to maintain an open market, the agreement will serve as a stabilizing force to minimize the effect of Mexico's economic problems on the United States.

United States trade policy towards Mexico as symbolized by the NAFTA, helps to steady a volatile situation for U.S. businesses and workers. NAFTA ensures that President Ernesto Zedillo will address the current situation through greater, not less liberalization of the Mexican market. NAFTA is by no means a cure-all, but it is a highly advantageous agreement for U.S. workers and businesses in this current climate of uncertainty in the economy of our southern neighbor.

REAUTHORIZING THE COMMODITY FUTURES TRADING COMMISSION

HON. PAT ROBERTS

OF KANSAS

IN THE HOUSE OF REPRESENTATIVES

Friday, January 20, 1995

Mr. ROBERTS. Mr. Speaker, today I am introducing by request legislation that reauthorizes the Commodity Futures Trading Commission through the year 2000 at unspecified annual appropriations. I am joined by Messrs. DE LA GARZA, EWING, and ROSE.

The CFTC is the independent agency charged with regulating the Nation's 10 active commodity futures exchanges, the professional brokerage community of futures commission merchants and introducing brokers, commodity trading advisers and pool opera-

tors. Futures exchanges for years have met the vital economic needs of price discovery and risk management to U.S. agriculture. And, during the last 20 years, we have seen an explosion of trading in exchange derivative products on industrial and precious metals and energy commodities as well as financial instruments. Interest rate and stock index contracts continue to show phenomenal growth trends as more and more commercial and industrial enterprises understand the benefits of hedging economic risks in the futures and options markets.

Within the past decade, useful off-exchange markets have developed in individually negotiated instruments with characteristics of traditional futures and option contracts.

The CFTC is there to make sure the designated exchanges continue to promote fair and orderly trading, to police legitimate over-the-counter markets and to prosecute with State law enforcement authorities illegal boiler room activities that have operated for years in the gray areas of the Commodity Exchange Act.

My colleagues and I believe a simple, 5-year authorization is appropriate at this time, since the Commission's regulatory activities were thoroughly debated during the last reauthorization, which was concluded in October, 1992. The Commission operated without authorization during fiscal years 1990 through 1992 while the Congress debated several issues of crucial importance to our financial markets. The CFTC has been without an authorization so far in this current fiscal year, and this committee must assume its legislative responsibilities. There still are outstanding issues and questions about competitiveness and regulatory intrusions, but I would hope that we could deal with them, if necessary, in separate legislation.

In that regard, the Futures Trading Practices Act of 1992 required the precise, independent and unalterable recordation of all trade executions to be an industry standard by October 1995. The Congress rightly understood the technological problems involved in attaining this mark and provided some flexibility. I might add here that the House committee report making appropriations for fiscal year 1995 concluded that the exchanges had made good faith efforts to meet the audit trail requirements. The Appropriations Committee said it expected the Commission to grant an extension to the exchanges beyond the 1995 deadline. Although I, as one Member, have not concluded whether or not the Commission should grant the extension, it is up to the Committee on Agriculture to deal with this matter.

Finally, Mr. Speaker, off-exchange derivatives trading has been making headlines recently. Procter & Gamble, Gibson Greeting Cards, and other private companies as well as several public funds, including the now famous fund controlled by Orange County, CA, have lost large sums of money through derivatives investments. Many of these transactions may have been made without adequate understanding of the risks involved in highly leveraged instruments. There may have been breaches of fiduciary responsibilities in some of these cases. At any rate, so far the regulators have held their fire in requesting new authorities. I understand the SEC is asking for some voluntary restrictions of certain unregulated subsidiaries of SEC registrants, but, beyond that and other administrative actions

taken recently by banking regulators, I would hope the Congress moves cautiously in this area of financial regulation.

Derivatives are not new even though a casual reading of the business press would lead you to a different conclusion. There is little the Congress can do to legislate against poor judgement. In those instances where fraud is found, then there are appropriate laws to deal with the problem. To restrict the legitimate uses of derivatives—and few doubt their legitimacy whether they are exchange-traded futures and options or over-the-counter hedging and investment instruments—would be a profound error.

TELECOMMUNICATIONS LEGISLATION TO OPEN THE INFORMATION SUPERHIGHWAY TO ALL AMERICANS

HON. CARLISS COLLINS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Friday, January 20, 1995

Mrs. COLLINS of Illinois. Mr. Speaker, in the last 2 weeks I have introduced a pair of legislative initiatives that are of paramount importance if we in this body are to adequately ensure that all Americans have a genuine opportunity to participate in the information revolution that is now rapidly progressing in our Nation. As we are all well aware, every day in the morning papers another story appears announcing a new telecommunications merger or plans for the development of a new telecommunications technology. The pace of change in this arena is absolutely striking.

But with change comes challenges Mr. Speaker. While we should all look forward to the opportunities presented by new, emerging technologies, we cannot disregard the lessons of the past and the hurdles we still face in making certain that everyone in America benefits equally from our country's maiden voyage into cyberspace.

It is a very well-documented fact that minority and women-owned small businesses continue to be overwhelmingly under-represented in the telecommunications field. In the cellular industry, which generates in excess of \$10 billion per year, there are a mere 11 minority firms offering services in this market. Overall, barely 1 percent of all telecommunications companies are minority-owned. Of women-owned firms in the United States, only 1.9 percent fall within the communications category.

Therefore, I have introduced two separate pieces of legislation, H.R. 187 and H.R. 503, the Telecommunications Economic Opportunity Act of 1995, that seek to remedy the aforementioned inequities. It is imperative that minorities and women are drivers, not simply passengers, in the superhighway fast lane. As the statistics point out, too often in the past these groups have been left standing on the shoulder, only to watch the big guys and gals cruise down the road, leaving them in the dust.

I must note that both of these measures passed the full House by a landslide last year as part of H.R. 3626, the Antitrust and Communications Reform Act of 1994, and I look forward to the same bipartisan support for my initiatives in the 104th Congress.

H.R. 187 would require a rulemaking on the part of the Federal Communications Commission, after consultation with the National Telecommunications and Information Administration, on ways to surmount barriers to market access, such as undercapitalization, that continue to constrain small businesses, minority, women-owned, and nonprofit organizations in their attempts to take part in all telecommunications industries. Underlying this amendment is the obvious fact that diversity of ownership remains a key to the competitiveness of the U.S. telecommunications marketplace.

H.R. 503, which is intended to increase the availability of venture capital and research and development funding for both new and existing small, women, and minority-owned companies, would require all telecommunications providers to annually submit to the FCC their clear and detailed company policies for increasing procurement from business enterprises that are owned by minorities and women in all categories of procurement in which these entities are under-represented. The FCC would then report to Congress on the progress of these activities and recommend legislative solutions as needed.

Mr. Speaker, last year Congress fell short in its attempts to pave the roads of the information superhighway with increased competition and, thereby, assist in promoting greater economic opportunities for more Americans as we head into the 21st century. This year we can ill afford to repeat our past mistakes.

While my measures do not completely solve the long-standing problems that confront so many forgotten entities and enterprises in our communities, their passage will ensure that minorities and women will have a strong role in the fantastic industries of the future as both users and providers of services. Because of this, we all stand to benefit.

I strongly urge my colleagues to support both H.R. 187 and H.R. 503.

STOP ABUSES OF CHARITIES' TAX EXEMPTIONS

HON. ROBERT MENENDEZ

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Friday, January 20, 1995

Mr. MENENDEZ. Mr. Speaker, Americans are the most generous people in the world, yet charlatans abuse tax exemptions designed to support worthy charities. Today, I am introducing a bill to stop such abuse of American generosity.

The Tax Exemption Accountability Act would stop self-dealing by the managers of tax exempt organizations and put teeth into requirements that they file accurate annual returns with the IRS and make them readily available to the public. It also creates a national clearinghouse offering copies of returns for a reasonable fee.

The bill also would cap the compensation of officers and directors at the level of U.S. Cabinet members. Churches would continue to be exempt from filing IRS returns and from caps on pastors' salaries, and hospitals could still pay high-cost professionals.

We need greater accountability by tax exempt organizations because they control substantial public wealth that offers a temptation some have been unable to resist.

The share of national revenues going to tax exempts has nearly doubled in the past 15 years, growing at 8 percent per year in constant dollars. The IRS reports that the revenues of tax-exempts rose from 5.9 to 10.4 percent of U.S. gross domestic product from 1975 to 1990. Revenues totaled \$578 billion in 1990.

These are substantial revenues. To put them into context, in 1990, taxable service industries had receipts of \$1,174 billion. The tax exempts had revenues of just half that amount.

The assets of tax exempt organizations totaled nearly \$740 billion in 1990, with real growth at an average annual rate of 7.7 percent over the previous 8 years. These assets accounted for 4.5 percent of private net worth in the United States in 1990, up from 2.9 percent in 1979.

INCOME EQUITY ACT OF 1995 AND MINIMUM WAGE ENHANCEMENT ACT OF 1995

HON. MARTIN OLAV SABO

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Friday, January 20, 1995

Mr. SABO. Mr. Speaker, I believe that an increase in the minimum wage is needed to restore equality to salaries for millions of Americans. For that reason, today I am introducing the Minimum Wage Amendments Act of 1995. This legislation will increase the Federal minimum wage to \$6.50 an hour—an increase that will help nearly 5 million Americans better provide for themselves and their families.

In today's economy, minimum-wage workers are often unable to support themselves for one simple reason—the minimum wage has not kept up with the cost of living. In the 1960's and 1970's, for example, a full-time year-round worker making the minimum wage earned enough to keep a family of three above the poverty line. Today that same worker falls nearly \$3,500 below the poverty line. To supplement their minimum wage, workers are often forced to seek assistance from taxpayer-financed Government programs such as food stamps, housing subsidies, and medical assistance.

Congress has tried to help. In June 1989, Congress passed legislation increasing the minimum wage. Under that legislation, The 1989 Fair Labor Standards Act, the minimum wage was raised from \$3.35 to \$4.25 per hour.

Still, the minimum wage has not kept pace with the rising cost of living. In fact, the current \$4.25 per hour falls almost \$2.25 short of the real value of the minimum wage in 1968. This failure to increase the minimum wage to a level that provides a living puts enormous pressure on social programs. In my judgment, all full-time workers should make enough money to live off their wages.

From the time of President Roosevelt, a fair minimum wage helped ensure a responsible relationship between workers and management. Today, a fair minimum wage is critical to millions of working Americans. More than two-thirds of minimum-wage workers are adults, and it is estimated that one in five minimum-wage workers live below the poverty line.

When working Americans are unable to support themselves and their families, they are left scrambling to pay their bills and put food on their tables. Today's minimum wage is too much minimum and not enough wage. We can not be content with an economy that helps those at the top of the economic ladder climb further up while those at the bottom slip further down.

Mr. Speaker, today I am also introducing the Income Equity Act of 1995.

One of the most disturbing trends of the past decade has been the increasing polarization of income in this country. To use a familiar phrase: "The rich have gotten richer and the poor poorer." In fact, the gap between rich and poor families is now larger than at any time since the Government began compiling those statistics.

Put another way, average income of the poorest fifth of the population has fallen from 93 percent of the poverty line in 1973 to 83 percent in 1987. The next poorest fifth has an average income of twice the poverty line. On the other end of the spectrum, the richest fifth has an income that is almost nine times higher than the poverty line. Clearly, the income gap continues to widen.

More single-parent, female-headed households are stuck in the bottom end of the wage scale. Wages for low-income and young workers have been stagnant. These trends have helped contribute to a growing class of working individuals who are having a tough time making ends meet. This poverty is especially damaging because it hits children so hard. Today, an alarming one in five children live in poor families. Poverty and the problems associated with it—malnutrition, inadequate health care, disadvantages at school, and crime—impair a child's ability to perform later in life. Those basic problems erect barriers that make it tough for children to ever achieve. We need to reverse the trend toward growing income inequities.

My bill, the Income Equity Act, would not only raise the minimum wage to \$6.50 an hour, but it would also limit the tax deductibility of executive compensation to 25 times that of the lowest paid worker in the same firm. For example, if the lowest paid worker of a business is the clerk who makes \$10,000 a year, the business will only be allowed to deduct \$250,000 in salary and bonuses for senior employees. This provision simply draws attention to the incredible income gap present in most businesses. Business owners will be forced to take a long, hard look at how they compensate both those at the bottom and those at the top of the income ladder.

The bottom line is that Americans who work full time should be able to provide for themselves and their families without turning to the Federal Government for assistance. Both Democrats and Republicans alike want to see individuals excel in the workplace. We want to see families living well and doing so independent of Government intervention. A liveable minimum wage is an essential extension of the work ethic—it tells individuals that work is important and should be rewarded appropriately.

Mr. Speaker and Members of the House, I hope you will join me in supporting an increase in wages for working Americans.