

union or a single employer remained exempt from insurance regulation.

Unfortunately, there are now those who want to ignore the hard lessons of the past. They want to repeat the mistakes of pre-1983. If anything, some mismanaged and fraudulent associations continue to operate. Some associations try to escape State regulation by setting up a sham union or sham employer associations. Then they self-insure, and then they claim they are not an MEWA, a multiple-employer welfare association.

To quote an article by Wicks and Meyer in an article called "Small Employer Health Insurance Purchasing Arrangement: Can They Expand Coverage?": "The consequences are sometimes disastrous for people covered by these bogus schemes." If anything, Mr. Speaker, Congress should crack down on these fraudulent activities, not promote them.

Wicks and Meyer summarized the two big problems with expanding ERISA exemption to association health plans. First, if they bring together people who have below-average risk, and they exclude others, and they are not subject to small group rating rules, then they draw off people from the larger insurance pool, thereby raising premiums for those who remain in the pool.

Second, if they are not subject to appropriate insurance regulation to prevent fraud and to ensure solvency and long-run financial viability, they may leave enrollees with unpaid medical claims and no coverage for future medical expenses. Mr. Speaker, that certainly would not help the problem of the uninsured.

I recently asked a panel that appeared before the Committee on Commerce if they agreed with those concerns that I just mentioned about association health plans, and they unanimously did. And that panel even included proponents of association health plans.

Mr. Speaker, let us pass real HMO reform legislation. Let us learn from States like Texas. After all, is it not Republicans who say that the States are the laboratories of democracy? Let us address the uninsured by making sure that those who qualify for the safety net are actually enrolled. And, yes, let us have equity in health insurance tax incentives, but let us also be wary of repeating past mistakes with ERISA.

And, finally, Mr. Speaker, I want to talk briefly about Medicare as it relates to access to health care for all of us. In 1997, Congress passed and the President signed the Balanced Budget Act. In that bill were provisions to slow the growth of Medicare expenditures in order to extend the solvency of that trust fund.

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But Mr. Speaker, the effect of that bill on our rural and teaching hospitals is more profound than what was antici-

pated. We are not seeing just slowed growth rates for our rural and teaching hospitals. We are seeing real and significant cuts.

A survey in Iowa found that Medicare's lower reimbursement will cost small rural Iowa hospitals on the average to lose \$1 million each in the next 5 years. Larger rural hospitals will lose between \$2 million and \$5 million. And urban teaching hospitals will lose between \$10 million and \$40 million.

The University of Iowa hospitals and clinics is projected to lose \$64 million over 5 years. And this is in Iowa, with one of the lowest reimbursement rates in the country.

Let me give my colleagues some specific examples for hospitals in Iowa. Current payment to Iowa rural hospitals for cataract operations is about \$1,300. The proposed payment will be \$980, a 30-percent reduction, not just a "reduced rate of growth."

A rural hospital in Iowa today receives about \$500 for a colonoscopy. The proposed payment will be \$300, a 40-percent reduction. Medicare today pays about \$45 for a mammogram to rural hospitals. The future payment will be \$30. And this is happening in rural and teaching hospitals everywhere in this country.

The Washington Post just published an article that Georgetown University Hospital is projected to lose \$75 million because of the 1997 Balanced Budget Act. This hemorrhage in our rural and teaching hospital will cause some to fail. This will certainly not help people's access to care.

If a county seat town in Iowa loses its hospital, it will lose its doctors and the town itself will start to fade away. And I am sure that my colleague from Vermont would say the same thing about Vermont.

Mr. Speaker, I took a lot of heat from my colleagues back in 1995 when I pointed out that \$250 billion in Medicare reduced payments would severely hurt health care. Fortunately, arguments like mine were able to scale back the cuts. However, it is now clear that Congress needs to restriction adjust that bill. There are reports that the savings from that legislation are significantly greater than anticipated.

Now, I am not talking about a wholesale rewrite of the Medicare bill, because a lot of it is working well. Reducing payments to HMOs was a positive. In fact, a recent GAO report shows that HMOs are still being overpaid because they select healthy seniors and they shed the sick. However, we ought to be able to afford some adjustments for our rural and teaching hospitals.

After all, Mr. Speaker, what good does it do to have insurance, whether private or Medicare, if we do not have a hospital to go to if we are sick?

Let us not bury our heads in the sand about either HMO abuses or this Medicare problem, or I will guarantee my colleagues, Mr. Speaker, the people in the next election will remember.

I am anxiously awaiting a fair and a complete debate on this floor. We owe

it to the Jimmy Adamsses in our country.

YOUNG AMERICANS MUST PARTICIPATE IN POLITICAL PROCESS

The SPEAKER pro tempore (Mr. DEMINT). Under the Speaker's announced policy of January 6, 1999, the gentleman from Vermont (Mr. SANDERS) is recognized for 60 minutes as the designee of the minority leader.

Mr. SANDERS. Mr. Speaker, it has always seemed to me that the major crisis that we face as a country is not that we do not know the answers to the most serious problems that we face but rather, for a variety of reasons, we refuse to ask the right questions.

As the only independent in the Congress, I want to raise some issues that are usually ignored by most of my Democratic colleagues and most of my Republican colleagues and are often ignored by the mass media, as well.

Let me start off with one question that I think is the most important of all; and that is, why is it that tens and tens of millions of people in our country, most especially the young people, are giving up on the political process? Why is it that virtually every day we become a less and less democratic and participatory society? Why is it that in the last election, in November of 1998, only 36 percent of the American people bothered to vote, which was the lowest turnout that we have had in many years? And this compares, as my colleagues know, Mr. Speaker, with the recent election that took place in Israel, where 90 percent of the eligible people voted, compared to 36 percent in the United States.

It is not uncommon in Canada, in Europe, in Scandinavia to have elections in which 70 or 80 or 90 percent of eligible voters participate.

Why is that? Why is that that so many people say, "oh, democracy, oh, voting, oh, participating in the political system, do not be silly. I would not think of doing that."

Now, as bad as the general situation is, as bad as a 36-percent voter turnout is, what is even worse and more frightening is that, in the last election, if my colleagues can believe it, only 18 percent of the young people under 24 years of age voted. That means 82 percent of people 24 years of age or younger did not vote. And that in itself is a very serious situation.

But what is even more frightening is that we know that, by and large, if people do not vote and participate when they are young, they are much less likely to vote as they age. So that means that, everything being equal, as low as our voter turnout is right now, it is likely that in years to come it will become even lower.

Now, not only is the voter turnout among young people distressingly low, but what is also very frightening is that polls indicate that young people know very little about the political

process. There was a poll recently done by the National Association of Secretaries of State, and what they discovered when they asked young people three questions. They said, very hard question, "Can you name the vice president of the United States?" Pretty hard question. "Can you name the governor of your States?" Pretty hard question. And lastly they said, "How long is a congressional term?" "How long do Members of Congress serve?"

Those are not very hard questions. Those are questions that we would hope that kids in the sixth grade would know. And yet, three-quarters of the young people 24 years of age and younger were unable to answer that question.

Poll after poll shows not only that young people but people of all ages have very little understanding of what our budget is about, of how appropriations are made, of how they can participate in the political process.

I go to many, many schools in the State of Vermont because I think it is important for a Member of Congress to do that. What we find is that people in Vermont, young people, and people all over this country, they know the rules of basketball. They know that when you throw a ball through a hoop you make two points. They know all about football. You score six points when you make a touchdown, one point an extra point, two points if you throw a pass. They know all about that. Field hockey. They know hockey. They know all of these things.

And yet they say, "Tell me something, young people. Are you concerned about the high cost of college?" And young people say, "Oh, yeah. Twenty, thirty thousand dollars. My family cannot afford that." And then you say to them, "Okay. From a democratic political perspective, how do you change that? How do you make your voice heard? How do you make sure that the Federal Government helps middle class and working families better able to go to college and to pay for college tuition?" "Gee, I do not know. I have not got a clue. How do you do that? We do not know how to do that."

Well, the reason is, if young people came together on this issue and they said to the United States Congress, "get your priorities right, put more money into Pell grants, put more money into higher education so that middle class and working families can afford to get to college, and if you do not do that, Members of Congress, we are not going to vote for you," and that if a few million young people said, "you know what," just like that suddenly Members of Congress would wake up and say, "Oh, golly gee. College education is very expensive. We are going to deal with that. Maybe we are going to cut back on corporate welfare. Maybe we are going to cut back on tax breaks for the rich."

But that is not going to happen unless young people participate in the political process. So the first point that I

want to make is that I consider the most serious problem facing this country is the growing alienation of the American people and especially the young people from politics and government. And not only does that alienation mean that working people and young people are going to be less able to achieve their goals through the political process, it means something else.

In my view, it is an insult to the men and women who have put their lives on the line defending American democracy that people are not utilizing our democratic system. Clearly, we are not going to have a democratic system if people do not utilize it and participate in it. And if ordinary folks, if working people, if low-income people, if young people do not participate in the political process, who do you think is going to fill the gap?

The answer is quite clear. The people who have the money. The people who have the power want nothing more than for the American people and for working people and young people and elderly people, they want those people not to participate in the political process. Why is that? Well, because then their money can have an even greater impact over the political process than it has right now.

Today we have the outrageous situation that the wealthiest one-quarter of one percent of the American population makes 80 percent of the campaign contributions. And then we combine that with the fact that only 36 percent of the people vote and we end up with a Congress that does exactly what this Congress does, and that is to represent the interests of the wealthy and the powerful.

It seems to me, if young people are serious about education, what do they think education is? It means learning how to participate, learning how to use their ideas to make this country and their community and this world a little bit better place. So they are cheating themselves and they are demeaning the education that they have received if they are not participating.

Mr. Speaker, I am delighted that I am being joined this evening by the gentleman from Oregon (Mr. DEFAZIO). I am proud that I chaired the Progressive Caucus here in Congress, which now has some 55 members, for 8 years. I am delighted that the gentleman from Oregon is now chair of the Progressive Caucus, and he has been a valiant fighter for working people and the elderly and people who do not make the \$50,000 contributions to both political parties. I am delighted that the gentleman is with us this evening.

Mr. Speaker, I yield to the gentleman from Oregon (Mr. DEFAZIO).

Mr. DEFAZIO. Mr. Speaker, just to expand on the point of my colleague. I think it is a statistic the American people need to pay attention to. It is one-quarter of one percent. One-quarter of one percent of the people in America gave more than \$200 to a polit-

ical campaign last year and yet constituted 80 percent of the contributions.

So who do we think are in the Republican leader's office when the decisions are being made on tax relief or reforming Social Security or on whether or not we are going to have HMO reform that gives patients rights? Guess what, the insurance company executives are in the office, not the patients, not the people who desperately need access to health care and cannot get it because their HMO is more interested in profits than in their health care. Guess who is in those offices when we are talking about tax reform?

Now, we could do some tax reform around here that would benefit the majority of the working people in America. In fact, I have introduced some legislation to reform Social Security that would vouchsafe Social Security for 75 years, certified by the board of trustees, and it would give tax relief to 95 percent of the wage earning Americans in this country.

It is simple. Right now we pay Social Security tax on the first \$72,600 of income. After that, we do not pay Social Security tax. If we earn a million dollars a year, our tax rate under Social Security is less than one percent. If we earn \$15,000 a year, our tax rate on Social Security, which is part of the FICA, is six percent. We make six times more out of a meager income on which we cannot make ends meet.

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So if we just lifted the cap and said, fair is fair, all these people want to talk about a flat tax, well, let us make Social Security a flat tax on all income, not a regressive, super-regressive flat tax which is only on the first \$72,600 of income. That would vouchsafe Social Security into the indefinite future. But you can also use some of that money to give a \$4,000 exemption from FICA tax. Forty percent or 45 percent of Americans pay more in taxes to Social Security than they pay in income taxes. Ninety-five percent of Americans would benefit under that system. Everybody who earned less than \$76,000 a year would get a tax break. But guess what? The same people are sitting in the leaders of the office of the Committee on Ways and Means and the Republican leader's office when I talk about a progressive Social Security reform, something to make this vital program safe, and saying, "You better worry about your campaign contributions here if you raise my taxes." They want to tax the little people, and they want tax relief at the top.

It is time to change this system. But it is not going to change, as the gentleman from Vermont pointed out, until more people who have more on the line choose to vote, and that is the majority of the American people, who are losing under the current system. Often I give speeches like this on the floor and I have had colleagues and

friends from the Republican side of the aisle say, "You're talking about class warfare. We don't want class warfare around here." That is what they say. That is not the truth. What they want is they want to continue the current class warfare, which is winning warfare against middle-income and working families and the poor in America to the advantage of that one-half of 1 percent at the top. That is what they want to perpetuate. They do not want to talk about it. They do not want the truth out there. It goes to so many issues. It goes to Social Security reform. It could be progressive. It goes to trade. I hope the gentleman does not mind if I switch to trade for a moment.

Mr. SANDERS. Before you do, because trade is certainly an issue that you and I have worked together very hard on, I wanted to pick up on a point that the gentleman made. When we talk about campaign contributions, let us be demonstrative and very clear what we mean when we talk about the wealthiest one-quarter of 1 percent making 80 percent of the campaign contributions.

One of the issues that I have been working on very hard for the last several years and is an issue of great, great concern in my State of Vermont among the elderly, among almost the entire population, is the outrageously high cost of prescription drugs. In the United States today, we have by far, it ain't even close, the highest cost for prescription drugs of any country in the industrialized world. Many of those drugs are manufactured by American companies. They sell it to Canada far cheaper than they sell it to Americans. They sell it to Mexicans far cheaper than they sell it to those of us in the United States. They sell it throughout Europe.

Now, how is that? One of the answers lies in the fact that the pharmaceutical industry spends more money on campaign contributions and lobbying than any other industry in the United States. In the first 18 months of the last election cycle leading up to the 1998 campaign, they spent over \$83 million on lobbying and campaign contributions. Today, in a Washington publication, there is an article which says that the pharmaceutical industry is becoming very nervous. They are becoming very nervous because all over this country, people are saying, "We can't afford to pay these outrageously high prices for prescription drugs." It is obscene that elderly people have to choose between food and prescription drugs. Here in Congress many of us are now saying, let us have Medicare include prescription drugs, so that elderly people do not have to make that choice.

Well, what do we read in the paper today? We read that the pharmaceutical industry is now prepared to spend between 20 and \$30 million on TV ads and on lobbying so that Congress does not protect the elderly and the sick in terms of prescription drugs.

That is how life goes and will continue to go until we have real campaign finance reform. So at a time when the pharmaceutical industry last year had the biggest increase in profits of any industry, over 18 percent, when the top 10 pharmaceutical companies had an average increase in profits of over 26 percent, what they do is they take those profits, they put it into lobbying, they put it into campaign funds of Members of Congress so that their interests are protected, and we continue to have the highest price for prescription drugs in the world.

Mr. DEFAZIO. I would like to expand on that because this is very important to my constituents and in a moment I will talk about a study that was just done in my district on prescription drug prices. But I will just give a personal example. There is a drug called Lomotil that you take if you get an intestinal problem and you are traveling overseas. My wife and I on a private trip were traveling overseas. My doctor said, "You ought to take some of this with you." He gave me a prescription. Okay. I went to a local pharmacy. The pharmacies are not the ones that are ripping us off on this and that is something the American people need to know. They need to know where to focus their anger and it is not on the pharmacist because they are paying more than the drug company is selling the drug for to other customers. The pills were about a buck each. I got to India. I was sick. I was out of the pills. I went into a local pharmacy there, same manufacturer, exactly the same drug, made in America, that was good, I was happy to have a made in America drug, six cents per pill.

Mr. SANDERS. Compared to a dollar.

Mr. DEFAZIO. Somehow that pill is shipped from the United States to India and sold, with all the middle men, to India at a profit at six cents, but here in America I have to pay \$1. You go just north of the border to Canada and, in fact, because the government is exacting some controls and scrutiny on the pharmaceutical industry, the drugs cost between 20 and 40 percent less, sometimes even more. It is extraordinary. These are life-saving drugs that Americans need. I have talked to seniors who say, "Congressman, I've got to choose between paying my light bill and my heat, eating, the mortgage, and my drugs for my high blood pressure, or my cholesterol, or my heart condition," or whatever ails them. They say, "You know what goes." I say, "I know what goes, the prescription." Some of them are taking prescriptions and they will buy half the prescription and they will take drugs at half the dose, because they cannot afford a full dose of the drugs. The funny thing is that these same drugs, even in America, are sold for less. Now, that is getting really peculiar. You can understand there is some government scrutiny overseas and the governments there are not allowing the pharmaceutical companies to rob people blind,

but here in America you find in my district, in Oregon, we just did a drug study. Let us take one drug, called Zocor, which is made by Merck, it is used for high cholesterol, quite commonly by seniors, and for favored customers, that is, for companies that will promise to only buy that drug, as there are competing drugs, from Merck, some insurance industries, HMO plans and others who will make their insureds buy that particular drug no matter what the doctor wants to give them, that will be the formulary, it is \$34.80 a dose. Now, if a senior walks in with Medicare which does not cover prescription drugs today, the price in my district is \$106.12. That is interesting. We know Merck is not giving it away at \$34.80. They are making money to their best customers. But somehow the poor little old senior who walks in, who does not have one of those plans, is paying \$106.12, 205 percent more. That is a scandal. That needs to change. But it is not going to change in this body because, as the gentleman from Vermont pointed out, that industry is a very generous contributor to campaigns, not mine, but to other Members. And the executives of that industry are very generous givers to campaigns, and they have got the ear of many powerful Members of Congress. Here is something that cries out for regulation. Here is something that is being done in other democracies and republics around the world, but not in the United States of America. It is outrageous.

Mr. SANDERS. I know the gentleman shares with me the outrage that people throughout this country are suffering and dying and are forced to take money out of their food budget or their heat budget in order to pay for the outrageously high cost of prescription drugs. What we have learned is that in terms of the drugs that seniors use, I do not know that it is different for the general population, but in terms of seniors' needs, in my State of Vermont, the most commonly used drugs by seniors cost 81 percent more in the State of Vermont than they do in Canada, same exact drugs, manufactured by companies, American companies, and they cost 112 percent more in Vermont than they do in Mexico.

Let me also mention some other information. You mentioned about how the cost of drugs in India, at least one particular drug, was significantly cheaper, the same exact product, in the same exact bottle, than you purchase here in the United States. In terms of the drugs most commonly used by seniors, if we use a figure of \$1 for a drug paid in the United States, in Germany that same product would cost 71 cents, in Sweden 68 cents, in the United Kingdom 65 cents, in Canada 64 cents, France 57 cents, and Italy 51 cents. Half price in Italy. Meanwhile, the drug companies are experiencing record-breaking profits and they spend that money very freely here in Washington in campaign contributions and in lobbying.

Mr. DEFAZIO. I would like to just congratulate the gentleman on legislation he has tried to pass here in the House a couple of times which embarrassingly enough for the House of Representatives we have yet to be successful on, which is to say, when the drug is developed with public research, that the government, the taxpayers, would be reimbursed. Many of the most successful drugs were not from the pharmaceutical companies. That is what they say, we need those obscene profits to invest in research. That is not where the money goes. It goes to the stockholders, the chief executive officers, and other places. Yes, some of it goes into research, but not an inordinate amount. In fact, many of the most successful drugs are a result of research done by the National Institutes of Health. When a private company takes their research and produces and markets a drug with exclusive rights for 8 to 10 years, as happened recently with a drug for uterine cancer, this was doubly ironic, not only was the research done and the drug developed by the National Institutes of Health, at total taxpayer expense, the product, before they developed an artificial one, which produced the drug was harvested off of Federal lands, yew bark. So this company was given not only the exclusive right to use and sell these drugs which were taxpayer-created but they were also given exclusive rights to go out and harvest the yew bark off of Federal lands, and no controls were put on their profits. None. That is absolutely obscene.

The gentleman has tried over a number of years to say, here is a simple principle. If a drug company takes the public research, patents it and puts it into a drug, then we should get some reimbursement, the taxpayers should get some reimbursement for that drug development. You might even talk about that.

Mr. SANDERS. I thank the gentleman. The bottom line is very simple. The taxpayers of this country have spent, appropriately, billions of dollars in research through the National Institutes of Health to develop very important anticancer drugs, anti-AIDS drugs and many other types of drugs. We have had a good result. What the outrage is, is that after the taxpayer pays for the development and the research of that drug, what we have right now is the government then simply gives over that product to the private pharmaceutical company which can charge any price it wants. So the taxpayer gets screwed twice. After you pay for the research, then you have to pay some outrageous price to purchase that product.

We are going to continue on that legislation, and we are going to bring it up as soon as we can on the floor of the House. But I want to mention another piece of legislation that we have recently introduced, and that is that given the reality of what goes on right now, that the price for American pre-

scription drugs are sold in Canada and Mexico far, far cheaper than the United States, I have legislation which would do a very simple thing.

We are going to talk about trade in a minute, and a lot of the folks here think, oh, free trade is a great idea. You and I have problems with certain aspects of, quote-unquote, free trade. But here is something very interesting. If a prescription drug distributor in the United States wanted to do business with a distributor in Canada and wanted to purchase a prescription drug there at the same price that the Canadians are able to purchase it from American companies, that is currently illegal. The theory of free enterprise is that a businessperson can go shopping around and get the best price and the consumer benefits and everything else. It is a nice theory, I guess, except it does not apply, NAFTA notwithstanding, to prescription drugs.

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So right now an American distributor cannot negotiate with a Canadian distributor to purchase a prescription drug at the same price as the Canadians are getting it. So we have very simple conservative legislation in that says: Let the free market work, and when you have exactly the same product approved by the FDA, let American prescription drug distributors get the best price, sell it to the pharmacist, and as the gentleman from Oregon (Mr. DEFAZIO) indicated a moment ago, the problem is not with the pharmacist in the United States; he or she is paying significantly higher prices than pharmacists all over the world, and we are saying: Hey, let us have a level playing field, let us have a little free trade when it comes to protecting the American consumers.

So this is a piece of legislation that we look forward to bringing to the floor of the House and passing.

Mr. DEFAZIO. In fact, in speaking further to that issue, some seniors in border States have actually formed little clubs and rented buses to go across the border to pick up their needed drugs, their lifesaving drugs, at an incredibly cheaper price, and now, of course, I understand the border patrol is starting to crack down on that.

Mr. SANDERS. Well, we have actually worked with the Customs people, and in fact I am planning to do just that. We border on Canada, and already we had a hearing in Montpelier, Vermont, well attended, and a number of folks were coming up and they say, "You know, BERNIE, we go over the border. We have a particular problem. The drug there is 50 percent, so we are going to organize a little bit of a trip to our neighbors to the north and bring back some prescription drugs."

And the goal of all of that is to highlight the absurdity, the outrageous situation, and let us reiterate this once again in case people get confused. We are not talking about generics, we are not talking about look-alikes. We are

talking about the same exact product often in the same exact bottle sold all over the world at significantly lower prices than the United States, and we are going to do something to change that situation.

I am tired of seeing we are also asking for a study. Can you imagine how many folks, in fact, have died in this country because they cannot afford the prescription drugs? Can you imagine the absurdity of elderly people or sick people in general not being able to pay relatively small sums for their prescription drugs; what happens when they are ill? They end up in emergency rooms, they end up in the hospital, and Medicare kicks in thousands of dollars that could have been saved if these folks had their prescription drug in the first place.

Bottom line of this situation is that people are dying, people are suffering while pharmaceutical companies are enjoying record breaking profits and spending their cash all over Washington trying to prevent the Congress from doing the right thing, and the gentleman from Oregon (Mr. DEFAZIO) and I are going to do our best to turn the tables and finally give the American health care consumers a break, and we are going to save lives, and we are going to ease suffering, and we are going to finally help lead the effort in standing up to this very, very greedy industry.

Mr. DEFAZIO. Well, I do not want to get too far afield, but I think at this point, as I said earlier, I would like just to address the issues of trade a little bit because we do seem to have these kind of strange standards. If it would benefit American consumers to be able to purchase their drugs, the exact same drugs manufactured mostly in America, in Puerto Rico for the most part, in Canada seems trade law does not allow that. But if an American firm wants to export jobs, export capital, if an American firm wants to blackmail their suppliers into moving to Mexico to get cheaper labor, now that is okay. It is kind of an odd world.

I mean when are the American consumers and workers going to truly come out ahead on trade, or is it all just about corporate profits and driving down wages in this country? I have got to believe that that maybe is more of the agenda.

I just, as my colleagues know, have been watching for years our trade balance, and we are headed toward a record trade deficit this year. The funny thing is that the Commerce Department loves to talk about trade and how much trade benefits American people, and they say: Hey, every billion dollars of trade is worth 20,000 jobs. But if you are running a \$200 billion trade deficit and you apply the ruler of our own Commerce Department, that means we have just lost a lot of jobs.

Mr. SANDERS. Is the gentleman actually suggesting that we should look at both sides of the equation?

Now that is a radical concept.

Mr. DEFAZIO. Well, they do not, but, as my colleague knows, I think that I mean they want to use the ruler for our exports, let us use the ruler on the imports which exceed our exports by 200 hundred million dollars. So then you multiply 200 times 20,000. I am not really very good at math, but it seems like that is going to come out to about a lot of jobs, like probably a job for just about every American who would want one and then more.

But, as my colleagues know, our greatest trade deficit has been with Japan, but that probably will be eclipsed this year by China, and the extraordinary thing is, of course, we have got a few problems with the way the Chinese behave in the international community. They are identified as the least fair trading Nation on earth. They have been identified as a Nation that provides weapons and nuclear technology to rogue States. You know, they have committed a few human rights abuses, running over students with tanks and a few other things, have, as my colleagues know, basically destroyed the country of Tibet and taken it into their country. Of course we said nothing about that because it would interfere with business.

Well, what are we so desperate about in terms of business when we are running an \$80 billion trade deficit with the Chinese, an \$80 billion trade deficit is what we are heading toward this year; what do they do with that money? They use that money to go around the world and buy technology to become our economic and military competitor in the next century. Credibly they are using American dollars. They allow, as my colleagues know, in a few critical American goods where they can use the technology, but for the most part they keep our goods out, but their goods are flooding into the United States.

And now the President apparently is going to propose making this situation permanent, to give China permanent, as my colleagues know, Most Favored Nation status, and secondly, to allow them to get into the World Trade Organization because the theory is some day, some how we will whip them into line and they will drop all those trade barriers and we will start to sell them Coca-Cola or something else in the billions, and we will make a lot of money.

But right now it is just a few American corporations that are in China making a bundle of money, trying to drive down wages here. Boeing has time and time again threatened to export jobs to China to their workers here in the United States as they export the technology. Of course Chinese say do not worry, we will not build airplanes, we are not going to use your technology in any critical way, and then, of course, they lied again.

Mr. SANDERS. The gentleman forgets one very important point. China is a very good place to do business. It is a wonderful place to do business. Why would you want to pay an American

worker \$15 an hour or \$20 an hour? Why would you have to live up to and obey environmental standards and work safety standards? Why would you have to deal with workers who might actually be members of unions? Why would you want to deal with workers who have the freedom to vote and to elect or un-elect their officials when you can go to China and pay workers 20 cents an hour, 25 cents an hour, where workers cannot form unions, where workers cannot go out on strike, where workers cannot protect their safety on the job?

It is an absolutely outrage, *prima facie*, right on the surface, that you have tens of billions of dollars being invested in China by the largest American corporations who at the same exact time have laid off millions of American workers, and they are going there because they can pay desperate people slave wages.

And that is the essence of our trade policy which is what? Two hundred billion dollars deficit this year? And yet when you hear the administration or you hear the Chamber of Commerce or the National Association of Manufacturing, they tell us about all the jobs that we are creating by exporting, and, as you just indicated a moment ago, they forget to tell us about the millions of jobs that we have lost.

Not only have we lost jobs, but another very important factor is taking place, and that is that if an employer has the option to run to Mexico and pay a desperate person there 50 cents an hour through NAFTA or runs to China and pays a worker there 20 cents an hour, what do we think this does to the wage structure in the United States? All over this country workers are given a proposition. They say either you are going to take a wage cut, take cuts in your health insurance, or we are going to move to Mexico, we are going to move to China.

So our whole trade policy has not only cost us jobs, it has lowered wages in the United States.

Mr. DEFAZIO. Well, we just do need to expand on that point a little bit; as my colleagues know, the fact that these companies are chasing the lowest labor around the world and the least enforcement. As my colleagues know, actually I saw, not to be humorous about a serious subject, but I saw a cartoon once, and it was one a guy asked another, "Why do you think it is we are spending all this money on NASA, National Aeronautics and Space Administration?"

And the other guy said; well, he says no because we know somewhere out there in the universe there are people who work for less than a dollar a day.

As my colleague knows, I mean it is kind of a sad commentary, but unfortunately there is some truth in it. Under this guise of free trade American corporations are chasing around the world, and multinational corporations, after the cheapest labor from the most desperate people or from children, as we have seen in many countries where

children are exploited in horrible conditions as young as age 7 and 8 in some countries, basically indentured into their jobs, deprived of an education or any opportunity to get ahead, to make products that are marketed in the United States and other developed countries. And trade law does not allow us to prohibit those goods from coming into our country.

Mr. SANDERS. You are not suggesting that we should interfere with, quote, unquote, free trade just because we are importing products made by children who are virtual slaves; the gentleman is not suggesting that, is he?

Mr. DEFAZIO. Well, I understand it is not the policy of this Congress or this administration to interfere in those workings of the market, but as an individual Member of Congress and someone who is concerned about humanity worldwide, I kind of would like to see us take a stand there. I mean slave labor, prison labor, child labor; it seems to me these are sort of basic things that should be allowed and should be part of your trade policy. Project your values, and, yes, this is even more radical to talk about maybe looking toward the people at home and protecting their jobs.

Now say, oh, well, you are talking about protectionism. I say no, I am just talking about leveling the playing field. Let us not have unfair competition. Let us not let American firms go south of the border and dump their pollutants out the back-door into the rivers in Mexico. Let us have them follow the same environmental laws there. Let us allow the Mexican people to organize and strike and not be bullied or even killed sometimes by their own government because they are trying to organize and help their wages. If we get level playing field, then workers all around the world will benefit, and I think these companies will ultimately do well too. They forget something:

In America, in our country, we have kind of a compact. As the middle class grew, the companies did better because they could consume the goods. They seem to have forgotten that now because with families desperate more and more to make ends meet, they are becoming less and less capable.

Mr. SANDERS. The gentleman has led us in an interesting direction, and he talks about families making ends meet. But wait a second. I looked at the newspaper this morning, and I watched television. We are in the greatest economic boom in the history of this country.

Is the gentleman suggesting that not all of the people in Oregon or in Vermont are doing extraordinarily well? Gee, that is what I saw on television. What is the reality of this great economic boom?

As my colleagues know, when I speak in the State of Vermont, I go from one end of our State to the other, and I talk to a lot of middle class audiences and working class audiences, I talk to

family farmers. I always ask one question. I start off, and I would like to ask the people of America this question, and that is you see on the television and you read in the newspaper that the economy is booming.

So my question is: Is the economy booming for you? And in the State of Vermont you ask that question of 300 people in an audience, one or two people raise their hands. What does a booming economy mean? A booming economy for you means that you are making more money and working fewer hours; that is what a booming economy is. You have better health care, you are better able to send your kids to college. Your housing situation is better.

What is the reality? Well, let me say first the good news, and we have to be honest about this. The good news is that last year Bill Gates had a very good year, and I mean a very good year. Bill saw his wealth increase by \$40 billion, increase up to 90 billion.

What is 40 billion? Let me put it in a context. In my State of Vermont, which is a small State, we have our entire state budget which covers all of the needs of the people of 580,000 people in the State of Vermont. It is a little over \$1 billion. That means that in Gates' increase in wealth in 1 year, could run the State of Vermont for 40 years, which brings him to a total, by the way, of 90 billion.

So Gates had a good year; what about the average American? Let us go over some facts here.

□ 1900

During the period of 1979 through the present, the growth in income has disproportionately flowed to the top. The bottom 60 percent of the population actually saw their real income, that is inflation-accounted income, decrease in 1990 dollars. The top 20 percent saw modest gains, but the wealthiest 1 percent saw their incomes explode over 80 percent.

In other words, when we talk about the great economic boom, most people today are worse off in terms of what they earn than they were in 1979. People are working longer hours for lower wages, and a lot of that reason has to do with the absurd trade policy that the gentleman described. We have 43 million Americans with no health insurance. And, here is a fact that is not very much discussed: today, the average American is working 160 hours a year more than was the case 20 years ago.

We had hoped as we entered the 20th century, and remember, the unions were saying 40 hours, they wanted a 40 hour work week 100 years ago; that is what workers were fighting for. Today we are lucky to find the workers only working 40 hours. People are working 50 and 60 hours; people are working two jobs, three jobs. So how do we have an economy booming when people are forced to work 50 or 60 hours at wages less than was the case 20 years ago; when they do not have health insur-

ance and they cannot afford their basic needs.

Mr. DEFAZIO. Mr. Speaker, I have talked to a lot of people in Oregon and different places and I just remember one young man, I pulled into the gas station late one night after I flew back across the country, as I do almost every week, and he was kind of almost apologetic about it; he recognized me, and he said, I got to tell you, Congressman, I am not doing too good, I am not making it. And Oregon has the highest minimum wage in the United States, and guess what, our economy is booming, all the companies have not fled the State as we heard they would with the highest minimum wage in the country.

But he said I have two jobs, my wife has a job, and he said, we are really not making it. We want to have a kid. We are not really sure we can afford to have a kid, because, he said, I have two minimum wage jobs at the Oregon minimum wage, the highest minimum wage in the United States; my wife has a minimum wage job, but after we pay the rent and the car payment and the other stuff, he said, there is not much left over. That is the unfortunate reality for many Americans.

There have been a lot of jobs created, but compare the salaries and wages and benefits of those jobs. The largest employer in the United States of America now is not General Motors, it is not even Microsoft; it is something called Manpower, Inc., which is a temporary employment firm, with no benefits and, obviously, very little security and not the greatest wages in the world for most of the people they place. That is the largest employer in America. There is something wrong with that picture.

It goes to trade policy, it goes to tax policy; it goes back to who funds the elections in this country. I mean there are a whole host of things contributing to this. It is very complex. It also goes to the Federal Reserve Board, who are a bunch of bankers who meet downtown at the largest, heaviest, most expensive marble and exotic hardwood table in the world, in secret, by the way, to determine monetary policy for the United States of America. And now, they are obsessed. They are obsessed. It is now, will a one-rate increase satisfy the Fed? What are they worried about? Another cartoon, I saw it. There are all these old guys, pretty much older guys, bankers and stuff, standing around behind Frankenstein, who is tied down, and Frankenstein's label is inflation, and one of them says, his eye lid twitched, his little toe moved, I think he is starting to breath.

They are worried about inflation that does not exist; the lowest real rate of inflation in the last 50 years in the United States. Highest real interest rates, though, if we borrow money, and guess what? If there was a little bit more inflation, debtors, which is most of the people in America, the ones certainly I care the most about; everybody has a credit card, a mortgage, a home loan, a car loan, if inflation

ticked up a half percent or 1 percent, guess what, you come out a little bit ahead, but your banker, your banker loses a little bit on the margin.

So the obsession is we have to worry that wages might go up. The Fed is petrified, petrified that wages might go up. We have a law that says we are supposed to work to our full employment and keep down inflation. They do not look at the full employment side, and they particularly look negatively upon the idea of a real increase in wages. They do not want that to happen. And they are willing to drive up interest rates, which raises the credit card of virtually every American who has credit card debt, makes car loans more expensive, makes housing loans more expensive, because they are worried that the profits of the banks, that some of them who actually sit there and make policy in secret work for, might go down a little bit.

There is a very strange system we are running here. What happened to the policymakers? What happened to the Congress? What happened to the President? Why can we not make monetary policy to drive up wages in this country, to create full employment? Why are those things anathema. Something is very wrong. Why can they make policy in secret? How can they do this?

Mr. SANDERS. Mr. Speaker, my friend obviously misses the main point about what the function of the United States Congress is supposed to be. Does the gentleman not think that the function of the Congress is to represent the interests of the large banks and the rich? Does he really have the radical idea that the United States Congress is supposed to represent the vast majority of the people, the working people, the elderly people, the people who are struggling?

Ah, he forgets. Those are not the people who contribute \$50,000 a plate at fund-raising dinners, so those are not the people who are going to get a fair shake.

If my friend will allow, I want to quote something from a very interesting book. It is called *Shifting Fortunes, the Perils of the Growing American Wealth Gap* by Chuck Collins and some other people, and it touches on an issue that we very rarely talk about, and that is the fact that the United States has by far the greatest disparity of wealth and income in the industrialized world; that we now have the obscene situation where the wealthiest 1 percent of the population owns more wealth than the bottom 95 percent. And in the book, and let me quote it, he says, "The top 1 percent of households have soared, while most Americans have been working harder to stay in place, if they have not fallen further behind."

Now, this is not income, this is all together what you own.

Well, since the 1970s, the top 1 percent of households have doubled their

share of the national wealth at the expense of everyone else. The top 1 percent have doubled their share of the national wealth. Using data from the Fed, Federal Reserve Survey of Consumer Finances, economist Edward Wolf of New York University says that 40 percent of the Nation's household wealth as of 1997, the top 1 percent of households have more wealth than the bottom 95 percent. And in fact, what we are seeing today is a greater concentration of wealth than at any time in the modern history of this country.

Mr. DEFAZIO. Mr. Speaker, there are some policy issues at stake here. We talked about trade and we will not go back to that, but we could have a trade policy that helped in those areas. But the other issue is tax policy.

The majority party here in the House very much wants to give a tax break to the American people, and the question becomes first off, are they going to give that tax break out of the Social Security surplus; that is a question and a problem; or, are they going to give a tax break by cutting programs like Pell grants and other things the gentleman talked about. But maybe it can be justified, but we can only justify it if we look and see where those tax benefits are going to flow. There are ways that we can provide substantial tax relief to the majority of the American people, but I fear, as in the last several tax bills since I have been here, the wealth and what they are talking about, the people at the top are going to do very well, and those average people are not.

They want to reduce the capital gains tax again. Now, this is not quite clear to me, but let me see if I totally understand this. If I invest for a living, my effective tax rate is just slightly more than half of a retail check-out, unionized check-out clerk or a teacher, is that correct? A teacher is paying at 28 percent on the margin and if I do capital gains, I do not have them, so I do not know, but I think it is 18 or 19 percent, as I recall.

So what are we saying to the American people? Is this like the Leona Helmsley theory of taxation, only the little people pay taxes? I mean they are talking about a world in which they would do away with the inheritance tax, and let us say we were lucky enough to be Bill Gates' kids. But he says he is going to give most of the money away and not to his kids. So maybe he only gives his kid \$1 billion. So his kid only gets \$1 billion. The rest, the other \$89 billion goes to charity. That would be nice. But then the kid goes to college and vests that \$1 billion and becomes an investor for a living. Does not work for wages.

Guess what? That person would not pay any inheritance taxes under the brave new world of tax reform they are talking about, and would pay no income taxes, because they would exempt capital gains from income taxes. So the guy selling the burgers down on the corner, well, they are paying FICA tax,

Social Security, they are paying income tax; they are subject to all of these taxes, but the person who inherited and invests for a living does not.

What is wrong with this picture? If they want to talk about leveling the playing field, why should it be that people who invest for a living pay a lower rate of taxes than people who earn through blood, sweat and tears and time away from their home and their families, wages? Let us equalize the two. Why would we not do that? What is wrong with that idea? Would that not help most people?

Mr. SANDERS. Mr. Speaker, it makes a lot of sense to me, but unfortunately, those people who make \$10 or \$12 an hour are not making the huge contributions to both political parties and to their Members of Congress, or to the United States Senate.

The gentleman a moment ago, and maybe we can get back to this point, touched on a very important issue that I do not think is very widely known by the American people. That is when some of our friends talk about taxes, talk about income taxes, two points to be made. Number one, when we hear somebody on television saying, let us have an across-the-board reduction in income tax, it sounds pretty good. But please understand that the bulk of those tax breaks are going to go to upper income people.

Now, the gentleman a moment ago touched on the FICA tax and Social Security. It seems to me that if we want to make our tax system a bit fairer and protect middle income and working families, we might want to take a hard look at the Social Security tax, which is extremely regressive. As the gentleman said a moment ago, somebody makes \$1 billion a year, somebody makes \$72,000 a year, who contributes more into the Social Security system? Answer: they both contribute exactly the same. A worker making \$20,000 a year pays 6.2 percent; somebody making \$1 million a year pays 6.2 percent on the first \$72,000. Very regressive system.

I know that the gentleman has brought forth a proposal which is far more progressive, and maybe he might want to say a word on it, which not only protects middle and low-income workers, but it does something else very interesting. When we hear all of our friends telling us how Social Security is falling apart, the gentleman's approach would extend the life of Social Security for many years.

Mr. DEFAZIO. Mr. Speaker, it is pretty simple. They are talking about destroying the system to save it; moving toward a privatized, sink-or-swim, on-your-own system, but there is one simple fact. If we just lifted the cap and said every American will pay the same amount of Social Security tax on all of their wages, that sounds pretty fair to me. It is not progressive, even. It is not. We are not saying low income people will pay less, we are saying everybody would pay the same amount

on every dollar, and that would provide more than enough money to make Social Security solvent beyond the 75-year window.

But I went a step further in my bill. I said okay, I like that, that is pretty good. We do not have to cut benefits, raise the retirement age or do things that hurt working people, and we do not have to roll the dice on some sort of individualized accounts, which have not worked out real well in Great Britain and in Chili, but what we could do also is exempt the first \$4,000 of income. I would like to give a little tax relief.

So the plan I have would lift the cap and use some of that money to provide tax relief by exempting the first \$4,000 of income for self-employed and for wage-earning Americans who pay FICA taxes.

Now, guess what that means? That means 95 percent of the people in the United States of America who work for wages would get a tax cut, and they would still collect their full Social Security. But 5 percent, those who earn over \$76,600 a year, would pay the same amount as the other people who earn less than them.

Now, would that not be a fairer way to fix Social Security?

Mr. SANDERS. Mr. Speaker, if I could interrupt the gentleman, what he is suggesting is that his proposal would lower taxes for 95 percent of the American people and in fact would provide a very substantial tax break for lower income working people, and at the same time, we would be able to extend the life of Social Security for the 75 years that the actuaries think we need; is that what the gentleman is saying?

Mr. DEFAZIO. Mr. Speaker, that is correct.

Mr. SANDERS. Now, Mr. Speaker, that sounds like a pretty good proposal to me, and let us see how many of our colleagues here who tell us day after day how the Social Security system is going bankrupt, which certainly is not true, let us see how many of them are going to join us in that type of an approach.

Mr. DEFAZIO. Mr. Speaker, I thank the gentleman. In fact, I went before the Committee on Ways and Means. They would only accept bills that the actuaries had certified as meeting the 75-year requirement, so they only had testimony I believe on five pieces of legislation before the Committee on Ways and Means, and mine was one of the five certified by the trustees of Social Security. The chairman of that committee, who is also I believe for a flat tax, he did not just like latch on to it. I said, well, Mr. Chairman, this is going to be right down your alley; this is a flat tax. People are going to pay the same if they earn \$1 million, if they earn \$75,000 a year. Would that not be fair? And, we fix the system and we do not have to go through this whole disassembly and reassembly and rolling the dice and taking chances on whether something else would work, and whether the "something else" that they

might put in place of Social Security, the system that is responsible for lifting millions of Americans, older Americans out of poverty, disabled Americans out of poverty, survivors of workers who died at a young age; we would lose or risk all that in the newly fractioned, independent sort of account kind of system.

□ 1915

Yes, a few people would do better, but most would not. Here is an option that would provide tax relief and save the system, but it just somehow did not capture the chairman's attention right off. I do not intend to drop the idea. I have final legislation and I am ready to introduce it soon. I am hoping to begin a debate about a better way to fix social security.

Mr. SANDERS. Mr. Speaker, we are running out of time, and I want to thank the gentleman from Oregon (Mr. DEFAZIO) for joining me this evening.

The bottom line of this discussion is the following, that unless ordinary people, working people, middle-income people, young people, get actively involved in the process and fight and stand up for social justice, what will happen is that the people who have the money, the people who make the campaign contributions, they will continue to call the tune here in the Congress and in the administration.

What will happen is that the policies, whether they are trade policies, health care policies, prescription drug policies, labor policies, environmental policies, whatever, those policies will be heavily influenced by the interests of those people who have the money, and they will work against the interests of the vast majority of the people.

The bottom line of this whole discussion is that we are a great and wealthy Nation. If we all stood together and became actively involved in the political process, we could create a society where every man, woman, and child had a decent standard of living. That is not utopian vision, that is concrete reality. That is what we could do. We could join the rest of the industrialized world and provide health care to every man, woman, and child, including prescription drugs.

We will not do that unless people stand up and be prepared to fight for what is right. I just want to thank the gentleman from Oregon (Mr. DEFAZIO) for joining me this evening.

THE VITAL ROLE OF THE FEDERAL GOVERNMENT IN AMERICA'S EDUCATION SYSTEM

The SPEAKER pro tempore (Mr. GREEN of Wisconsin). Under the Speaker's announced policy of January 6, 1999, the gentleman from New York (Mr. OWENS) is recognized for 60 minutes.

Mr. OWENS. Mr. Speaker, abolishing the Federal role in education will produce a long-term monumental disaster for this country. I open with that

statement to make it clear what I want to talk about tonight. Abolishing the Federal role in education would produce a long-term monumental disaster for this country.

I want to make it clear what I am speaking about because I have had a couple of people, interns in my office and constituents, say that I ramble a bit, and they are not sure what my basic subject is about because of my examples that are far-reaching, et cetera.

It is about education. I am here to talk about education again because it is important that we not allow education to get off of the radar screens of the people who make decisions here in Washington.

Members of Congress and the White House must understand that it is a subject that the voters have indicated in poll after poll that they consider to be the number one priority. They want the Federal government to do more in the area of aid to education. That is a priority, and they are on target. The common sense of the voting public is more on target than the priority-setting here in Congress. Education is the number one priority.

The reaction of the political leadership here in this city, in Washington, has been not to deal with education in a straightforward way which recognizes the need to provide more resources for education. No, instead we are avoiding the issue with rhetoric and trickery. I am here tonight because the latest active trickery deserves immediate exposure.

On Tuesday, June 22, the Republican majority, and this includes the majority in both Houses, let it be known what their basic thrust is going to be with respect to education. The reauthorization of the Elementary and Secondary Education Act per se has been put on the back burner, but it is being preempted by an obvious assault on the Federal role in the process of education.

The same Republicans who came to power in 1995 and said they wanted to abolish the Department of Education are now pursuing that same goal through a different route. They have found that the American people did not approve of a frontal assault on education which talked about abolishing the Department of Education. That was unacceptable.

Instead of a frontal assault, now we are going through a different route, through the back door, and waging guerilla warfare against the Federal role in education.

On Tuesday, June 22, Republican leaders, and I am reading from an article in the New York Times, page A-18, Tuesday, June 22, "Republican leaders in Congress today unveiled an education bill that builds significantly on their previous efforts to give State and local governments even broader discretion over the spending of Federal money."

I appreciate the wisdom of the writer of this article, Mr. Frank Bruno. He

starts out with an indication of exactly what is happening: "It builds significantly on their previous efforts to give State and local governments even broader discretion over the spending of Federal money."

The article continues, "Under the proposal, a State could opt out of the current Federal financing system which allocates money for specific purposes and instead use most of that Federal aid as it wishes, provided that the State first enters into a 5-year contract with the Department of Education that holds the State to certain performance goals."

The trickery here is that this proposal follows the same course as the Welfare Reform Act, where there were supposed to be contracts and specific plans made, and most States have reneged on their contracts already. The Federal government seems to be paralyzed and unable to monitor them properly or to enforce those welfare reform agreements.

Now we propose to follow the same course with education. The same people who wanted to abolish education in 1995 are not saying we should abolish the Department of Education, but instead take all the money, give it to the States, and let the Department of Education monitor it.

However, we will hear them shortly after that saying that the Department of Education is a swollen bureaucracy, and therefore, we should cut the administrative costs by cutting the size of the Department of Education. The staff to monitor these programs I assure the Members in a few years, they will not be around at all. Right now they are all too few.

Continuing in the New York Times article, "The plan, which would apply to more than \$10 billion in Federal money nationally, faces an uncertain fate. There is not yet a timetable for its procession to the floor of either the House and Senate, and Democrats in both chambers denounced it as a reckless experiment."

The Democrats who have been quoted are the same Democrats who voted against the Ed-Flex bill, which is the forerunner for this present, broader block grant approach. The Ed-Flex bill was taking a portion of the existing Federal funds and allowing States to use that as they saw fit. That was quite popular and a large number of Democrats voted for it.

My fear is that despite the recklessness of this and the extremism involved here, large numbers of Democrats are going to be caught sleeping, and the idea is going to look very attractive when the Governor calls and the State Department of Education people call and say, yes, we would like maximum flexibility. Give it to us. They will have an immediate targeted approach to the Members of Congress while the public is still out there wandering in confusion about the meaning of this kind of flexibility.

The meaning of this kind of flexibility is that the States, which have