

Number one, we could allow those qualified Medicare beneficiaries, those select low-income Medicare beneficiaries and qualifying individuals, one and two, up to 175 percent of poverty to qualify for the State Medicaid drug programs. States could continue to use their current administrative structures. This could be implemented almost immediately. About a third of Medicare beneficiaries would be eligible, especially those most in need.

The drug benefit would encourage them to sign up, and a key feature of that is that the program is already in the States. State programs are entitled to the best price that the manufacturer offers to any purchaser in the United States.

Judging from estimates from the Bipartisan Medicare Commission, that expansion of benefits would probably cost somewhere between \$60 billion and \$80 billion over 10 years.

Second, we could fix the funding formula, what is called the Annual Adjusted Per Capita Cost, that puts rural States and certain low-reimbursement urban areas at such a disadvantage in attracting Medicare+ plans, because those Medicare+ plans offer a prescription drug benefit. My plan would increase the floor to \$600 per beneficiary per month. That would be an enticement for the Medicare+ Choice plans to actually go to States like Iowa. That way senior citizens and rural States would have the same opportunities to sign up for an HMO that offers a prescription drug benefit that those in New York, Miami, Los Angeles now can get.

Third, in response to my constituents who want to purchase their drugs in Canada, Mexico or Europe, we should stop the Food and Drug Administration from intimidating seniors and others with threats of confiscation of their purchases when they try to buy their drugs from overseas.

At the end of last year, we attempted to solve that problem; however, there were some loopholes in the bill that we passed last year, and we need to clarify current law to allow importers to use FDA-approved labeling without charge. Current law explicitly allows labeling to be used for "testing purposes" only and does not prevent drug companies from charging very, very high fees for using the label.

FDA approval for labeling provides safety and efficacy. We can allow importers to obtain the best price available on the market. There are a number of things that we need to do to make sure that our retailers in this country are able to purchase from wholesalers overseas at lower rates so that they can pass on the savings to everyone.

□ 1815

Mr. Speaker, I think that would go a long ways to reducing prescription drug prices in this country vis-a-vis where it is, significantly lower in the foreign countries around the world that I talked about earlier in this talk.

The bill that I introduced today meets those goals and ensures that we provide prescription drug coverage to those who need it most. It gives them access to health insurance and the drugs that they cannot now afford. I hope that we end up with a comprehensive prescription drug bill, something that covers all senior citizens. But when I look at that, I think we ought to do that in the context of a comprehensive Medicare reform bill, something that will help make sure that Medicare is financially sound for when the baby boomers come into retirement.

But I also recognize that today we have some senior citizens who are just barely getting by. They are not so poor that they are in Medicaid, but they are just above that, and they are having to make choices today whether to pay their heating bills or food bills or rent, or whether to fill their prescriptions. These individuals are already getting a discount on their Medigap premiums, the qualified Medicare beneficiaries, the select low-income Medicare beneficiaries, the qualifying individuals one and two.

We could implement that benefit for them immediately. We could give them a Medicaid drug card. They could go to any pharmacy in their State, get their prescription drugs filled at no cost, and we would pay for that from the Federal side. We would not ask for a State match on that, so the Governors and State legislators do not need to worry that we will be adding additional costs to their budgets.

I think we can do that for a reasonable amount of money, and it would not require reinventing the wheel. Every State has this program now. It would be easy to administer. All of those State Medicaid programs are overseen to help prevent fraud and abuse. I think this is the commonsense answer if, Mr. Speaker, later this year or next year we find that we are not moving to a comprehensive Medicare reform bill and we are not moving to a bill that covers a prescription drug benefit for everyone.

I just think that it would be a shame if this Congress does not address high prescription drug costs for the seniors that need it most and try to do something to lower the high cost for everyone. And that is where the reimportation issue comes into play.

So, Mr. Speaker, we have a solution. I encourage my colleagues to look at the bill that I introduced today, the Drug Availability and Health Care Access Improvement Act of 2001. It does not mean that you cannot be for a more comprehensive bill. It simply means at the end of the day, if we are not getting that more comprehensive bill, then we should not leave town before the next election without at least providing help to those who need it the most.

DOMESTIC AND FOREIGN POLICY ISSUES

The SPEAKER pro tempore (Mr. PENCE). Under the Speaker's announced policy of January 3, 2001, the gentleman from California (Mr. SHERMAN) is recognized for 60 minutes as the designee of the minority leader.

Mr. SHERMAN. Mr. Speaker, I want to thank the House for giving me the last hour before our adjournment for the Easter and Passover recess. I want to cover four issues, and hopefully I can do so in less than the 1 hour allotted: first, taxation and the energy crisis in California; and then two foreign policy issues, our airmen being held in China, and our sanctions policy and our use of economic tools in order to achieve our national security purposes.

Mr. Speaker, 2 months ago the President of the United States stood where you sit now and asked us to pass his tax program for a particular waitress. He described this waitress as having an income of \$25,000, two kids, no spouse, and said that is the reason that we need his program. And he was compassionate in that description; unfortunately, not compassionate to that waitress or the other waitresses that work with her. You see, under the President's tax program, that waitress with two kids does get a little bit of tax relief, perhaps 2 percent of her income, perhaps a cheap 25-cent tip left under the table or under the plate. But he carefully selected the one waitress in the entire restaurant that gets anything at all.

You see, under the President's plan as passed by this House, if that waitress had had an income of \$23,000, she gets not 1 penny, not even a 1-cent insult tip. If the waitress, the exact waitress he described with two kids and \$25,000, spends anything for child care, then she gets no additional benefit at all, not 1 penny from the President's program. And if that waitress has an income of \$23,000 or \$25,000 or \$26,000 and has 3 kids instead of 2 kids, not 1 penny.

So we were told to pass a tax program to help hard-working waitresses supporting kids, and virtually every waitress in the restaurant goes home without even a 1-cent tip.

This House has added, this President's rhetoric has added an insult on top of that injury. There is injury to those waitresses from a tax program that this House adopted that the President asked us to adopt, because we are going to see higher interest rates, and every waitress in that restaurant is going to be having a harder time buying an automobile, or if she is very fortunate and can almost afford a house, perhaps will not be able to do so. A worse economy and fewer patrons of that restaurant, all of this will injure those waitresses that get not one penny of tax relief from the plan.

Added to the injury is the insult. The President has again and again before audiences across the country said that his plan provides tax relief to every

taxpayer, and his overwhelming implication is if you do not get anything from his plan, it is because you are not a taxpayer. If he does not give you anything, it is because you do not deserve anything.

I ask the waitresses of this country to look at their paycheck stubs and see if there is a deduction for FICA. Then at that point, realize either your employer is lying to you when they take the money out of our paycheck for FICA, or the President is lying when he says that the waitresses of this country do not pay taxes because they do pay taxes to the Federal Government, and they get in almost every case not one penny of tax relief, but just a slap across the face with the insult that they are not taxpayers and do not deserve any relief from the Republican plan.

Mr. Speaker, never was this illustrated quite so clearly as today when we took up another piece of the President's tax plan, and that was a complete abolition of the estate tax. Mr. Speaker, most people of this country pay income tax, but the working poor generally pay only FICA tax. And there are some who are very wealthy who, because of the way that they have structured their investments, pay no income tax, but they pay estate tax. Three major taxes for the Federal Government: one, a burden on the poor; another a burden on most of us; and the third affects only those at the top 2 percent.

The President has decided if you do not pay income tax, but you pay estate tax, you deserve tax relief because you are in the richest 2 percent, and he wants to help you. But if you pay no income tax, and you pay only FICA tax, you get not one penny, as I have said several times.

So what is this estate tax package? It is a package passed today, which, if we made it immediately effective, would cost \$663 billion over a 10-year period. With all of the rhetoric on this floor, you would think that we would have made it effective immediately. Speaker after speaker talked about how this tax is terrible, and yet the bill we adopted does almost nothing to reduce the tax on those with assets of 2- or 3- or \$5 million, almost nothing for the next several years.

Why is that? Because, Mr. Speaker, in order to sneak this tax cut in, it is passed today, but does not become effective really for over 10 years. So a tax cut which is bad economic policy for today, which is such bad economic policy that no one would stand here in the well and say it ought to be effective today for today's economy, becomes effective in the year 2011 economy at a time when it is going to do the economy even more harm.

You see, Mr. Speaker, right now we have a surplus. It is not as big as some would say. It is certainly not permanent, but we have a surplus. Eleven years from now we do not know whether we have a surplus or not. But we do

know that 11 years from now is about the beginning of the baby-boomer retirement that will put whole new strains on the Federal budget as a huge number of people sign up for Social Security. So a policy that is so fiscally irresponsible that no one will speak in favor of its immediate adoption will become locked in 11 years from now when we are more vulnerable to fiscal irresponsibility.

Why this tax cut in the estate tax? Well, the estate tax affects only the wealthiest 2 percent of Americans. If you care about the other 98 percent, then we should have voted that down so that we could pay off the national debt, resume economic growth at a reasonable rate, and reduce interest rates without causing inflation.

Now, one thing I want to clarify in how I discuss an estate of 4- or \$5 million is that we are talking about the net estate. So if you have a \$10 million farm, assets of land and equipment worth \$10 million, you in most cases do not have a \$4 million estate because most farmers in that situation owe at least \$6 million to the bank. You look only at the estate net of, of course, funeral and health costs of the deceased, but also net of all the liabilities. So a lot of people out there think, "Oh, I have got assets of \$10 million, I am going to be subject of the estate tax," have got to first subtract the liabilities. So only the wealthiest 2 percent of families in this country will pay any estate tax at all.

But we on the Democratic side put forward an alternative, an alternative that would turn to 1.8 out of that 2 percent and say, no tax at all; immediate tax relief. And you continue to enjoy the income tax reductions caused by a "step-up in basis" so that the heirs to assets are able to value those assets on the date that they acquired them or the date of the decedent's death, so higher depreciation deductions are available to someone who inherits an apartment building or inherits farm equipment. Lower capital gains tax is paid by those who inherit stocks and bonds, or those who sell off part of the land that they inherit.

□ 1830

So a Democratic proposal that provided immediate relief for every family with \$4 million in net assets and provided all taxpayers permanently with that reduction in their income tax from a step-up in basis, that was all voted down. Why? Because instead the Republican side demanded that we embrace something that would exempt the as of yet unborn Bill Gates, Jr. from any tax at all on what we would hope would be billions of dollars of inheritance. In order to provide that those with assets of \$100 million, \$200 million, \$300 million will pay not a penny in tax, the interests of those with \$2 million and \$3 million and \$4 million and \$5 million were sacrificed by a Republican Party that talks the talk of small business but walks the walk of huge fortunes.

The Democratic alternative provided immediate tax relief, immediate complete insulation on taxes for the first \$4 million that a family owns, ratcheting that up to \$5 million over the next 10 years. The Republican plan provided virtually no tax relief to a family with 2 or 3 or \$4 million in assets if a death occurs next year or the year after that or the year after that. They have decided to ignore those who die soon or die in the next few years and their heirs. They have decided to ignore those who need the reduced income taxes of that step-up in basis because their running business is worth 2 or \$3 million and need the higher tax deductions, income tax deductions, all to embrace the needs of those with assets of over \$10 million, over \$20 million. What is amazing is that they were able to sell some of the small business groups on it. They have talked the talk of tax relief for those with a few million dollars. They have walked the walk of the huge fortunes.

We are well on our way to a series of tax bills that we cannot afford, that will probably add up to \$3 trillion in tax cuts over the next 10 years, and much of the cost of those bills is going to be hidden by the fact that many of their provisions do not even become effective until more than 10 years from now. What we ought to do if we are fiscally responsible is simply pass those tax provisions that become effective this year or next year.

If the Republican side were to come down to this floor and say, here is what we want the tax law to look like for 2001, here is what we want it to look like for 2002, pass that, and then wait a year and see where the economy is, they could probably get almost total support in the House. It is their insistence on locking this country in to an economic plan that it cannot afford, an economic plan that guarantees slow growth or recession, that virtually guarantees higher interest rates. It is that insistence that is causing dissension both here in the House and fortunately greater dissension in the Senate. Keep in mind that under the tax plan the Republicans have put before us, 79 percent of the package does not even become effective until more than 5 years from now. Instead of providing the tax relief we can afford and the stimulus that some say we need, it simply locks in the greatest cuts for the wealthiest people many, many years from now.

Mr. Speaker, I would now like to focus on what some regard as a regional problem, perhaps just the problem of one State, but it is actually the problem of the entire country, and, that is, the electrical energy crisis and related natural gas crisis in my home State of California. First, let me dispel the idea that it was all the fault of the extreme environmentalists, tree huggers in California, who would not allow any plants to be built and now we are reaping what we have sown. Nothing could be more clearly disproven in so many different ways.

First, no Federal agency was issuing a loud warning 2 or 3 years ago. No experts from the private sector, no experts from the utility sector were saying that we were headed for a particular problem. There are geniuses on Wall Street that could have quintupled and quintupled and made tenfold and twentyfold on their money by selling short the stock of California utilities.

Yet none of them saw this coming. Now, we are told that no plants were sited in California. Keep in mind, many have been approved in the last 2 years. But during the 8 years in which Republican Pete Wilson was governor of our State, not a single plant was sited.

But let us say that you come here with an extreme prejudice against California and you think both Republicans and Democrats in California have somehow brought this upon our State. Electricity can be transported for a few hundred miles. If you want to serve the California market, you cannot do so from a plant in Pennsylvania. But you can do so from a plant in Nevada or Arizona.

If anybody foresaw an extreme shortage of electricity and even a modest increase in the price of electricity in California and the other western States, they did not have to build a plant in California. They could have built one in Arizona, Nevada, Oregon or Washington. So you would have to believe that the environmental extremists are in control not only of California but of Nevada and Arizona, Oregon and Washington, Nevada and Arizona being two of the most pro-business States, two of the most Republican-voting States in this country.

The fact is no one wanted to build a plant in California, and no one wanted to build a plant in those other western States I mentioned. No one foresaw this problem until quite recently, with the exception of perhaps a few academics whose voice was not loud enough for anyone to hear. So it is obvious that this is not a problem we brought upon ourselves. We embraced the free market. The free market operated not only in California but in adjoining States as well, and the free market let us down. It did not cause those plants to be sited in California or the other adjoining States.

So California did not cause this problem. But we are told it is California's problem and it is up to California to solve it. Let us analyze the problem and let us see whether California should be called upon to, quote, "solve its own problem," or whether instead the Federal Government has handcuffed California so that it cannot solve this problem without a change of Federal policy.

Let us look first at natural gas. Now, the price of natural gas in North America has more than doubled in the last couple of years. That is supply and demand, and that is a relatively competitive market with lots of producers and lots of consumers. Still, the doubling of that commodity and more in the last

couple of years has put a strain on consumers and utilities around this country. But imagine, if you will, that on top of that doubling, there was a tenfold increase in the cost of moving natural gas from Texas and New Mexico where it is produced into California. The cost went from less than 50 cents to over \$5. The cost of natural gas in California is double what it is in the rest of the country.

Why did that happen? Why that doubling? Because FERC partially deregulated, actually deregulated enough for smart lawyers to find a way to totally deregulate the price of moving natural gas from Texas to California. And now natural gas costs more to move from Texas to California than it costs to buy it in Texas. The transportation cost exceeds the commodity cost. Why? FERC.

Mr. Speaker, it has been said that California has been shafted. Mr. Speaker, California has been FERCed. That is F-E-R-C-e-d, hopefully not to be confused with any term of similar sound.

The next focus has got to be on the cost of generating electricity. In the spot market, the wholesale price has gone up ten and twentyfold. We are told that this is somehow California's fault. I have disproved that. But the question is, can California solve this problem? As it happens, Federal law prohibits California from imposing even temporary cost-based controls on the cost of electricity at the wholesale level. So here we are with plants in our own State capable of generating most or all of the electricity we need in most or all of the months of the year and California has been told, "It's your problem. Solve the problem. Oh, by the way here is a Federal law that says you can't solve the problem by regulating the wholesale price of electricity," which by the way is about the only way to solve it in the short term.

Take off the Federal handcuffs or stop laughing at California and saying it is our problem and up to us to solve it. California could save 1 or 2 percent of its electricity needs simply by adjusting the way we use Daylight Savings Time. But the Federal Government will not even let us adjust our own clocks. The handcuffs are on. The Federal Government puts the handcuffs on California and then says, "It's your problem. Go solve it. Just don't try to do anything that might be effective because it will be prohibited by Federal law."

Federal law must reregulate the price of moving natural gas from New Mexico to California. And if the Federal Government does not want to do it, then perhaps that right could be granted to the State of California. I realize the pipelines that I am talking about do not run through the State, but a Federal grant of that power to California would probably be constitutional. The Federal Government does not want to regulate the wholesale price of electricity generated by plants in California. Fine. Let California do it. Let Oregon do it for its plants. Let

Washington do it for plants in the State of Washington. Take off the handcuffs. Better yet, lend a hand. FERC should regulate the price of pipeline usage and the cost at the wholesale level of electricity.

I do want to comment a little bit about the shortage of electricity in California in one respect and, that is, the term "closed for maintenance." I thought closed for maintenance meant, "We got to fix the plant. We got guys working on it." I have come to learn closed for maintenance means closed to maintain an incredibly high price for each kilowatt.

Last summer, without any shortages that came to anyone's notice, or with the notice of very many, California demanded and needed and got from its existing plants 45,000 megawatts of electricity. This last winter and spring when we needed 33,000 megawatts, the plants are closed for maintenance. The electricity cannot be generated. What changed was not the plants. The plants were adequate to give us 45,000 megawatts of electricity last summer. What changed was the law, the incentives. The incentives went to closed for maintenance, the lights went out, the prices went up.

Mr. Speaker, I hesitate to phrase it this way, but this administration is waging war on California. Maybe it is because we did not vote for them. Maybe it is because they see our governor as a challenger in 2004. I think it is a war being waged for the same reason the ancients waged war and that was to get war booty. In this case incredibly high profits for certain companies based in Texas, both the pipeline companies that own the natural gas pipelines and the companies that own the generation facilities that sell that electricity to the utilities in California.

The question, though, is not why is the Bush administration waging war on California but why does this Congress allow for that war to be waged? All Americans are going to suffer from this war. If we do not regulate natural gas pipelines, the wholesale value of electricity, and allow California to adjust its clocks, then it will not just be my district or my State that suffers. This entire economy is wired together. The markets drop in Tokyo and all of a sudden the markets drop on Wall Street and people's 401(k)s are down. If you think you live outside of California and you are not tied to our State, imagine how much more tied you are to California than you are to Tokyo.

□ 1845

If California is going down, it is not going to be good for any part of this country.

I want to add a footnote or two here. The first footnote is that many of the bad decisions the Federal Government made were made in the waning days of the last administration, but I am confident that an administration that

cared about California would have reversed those decisions and this administration should reverse those decisions right now.

Back in October, it was not obvious to many that California was going to be suffering just a few months later, but when that suffering began it is time to adopt revised Federal policies.

The second myth I want to dispel is the idea put forward by those who worship, do not just understand and usually practice but worship, the free market system. The free market system works rather well for most things, but if one had to pick something it was not going to work for, well think of a good that cannot be stored, cannot be transported but a few hundred miles, has no substitutes, is a necessity, to put it in economic terms, has a price elasticity of roughly point one, which is to say it is a necessity where you need the amount you need and if they sell it for less you are not going to use more, and if they charge you more it is incredibly difficult to use less. It is a necessity. It cannot be stored.

It is not subject to the regular market forces. If there was ever a good that did not fit the absolute worshiping of a free market, this is it.

We are told that the free market must be allowed to run unfettered and that California's problem is that we deregulated the wholesale price of electricity but we maintained regulation on the retail price. So the amount SoCal Edison has to pay the generator companies, most of them based in Texas coincidentally, the plants may be in California but they are owned by some particular business interests, that the amount that SoCal Edison has to pay for the electricity has been deregulated but the amount that they sell it to the consumer for has been regulated and that that is the problem; that if only we deregulated both sides of the equation everything would be fine.

I ask people to look at San Diego. In San Diego County, we did exactly what the worshippers of the free market, and I include myself among those who usually want to go with free enterprise and free markets, but those who are so blinded by the benefits of free markets that they cannot see the exceptions, we are told that if you only deregulated the wholesale and the retail that everything would be fine.

What has happened in San Diego when we did just what they suggest, the retail consumer price of electricity went up by four-fold. So you are used to paying a \$100 electric bill and you get one for \$400, the price goes four-fold in a couple of months. I ask my colleagues, what would happen in their districts if everyone who is used to getting a \$100 electric bill got a \$400 electric bill like that? How many people would be sitting in their office and how many of them would say, well, thank God, we did what those who are so extreme that they worship the free markets have suggested, thank God we

went for the most pristine possible deregulation?

How many of them would be thrilled to get that \$400 electric bill?

AMERICANS HELD HOSTAGE, DAY FOUR

Mr. SHERMAN. Mr. Speaker, I would now like to shift to a discussion of foreign policy, starting with the Americans being held on the Chinese island of Hainan; America held hostage, day four.

Let us go through a few of the facts that have been uncontested. Our plane was in international air space. The Chinese have admitted that. Our plane was flying slow, clumsy, large, Turboprop, not looking for any trouble; not trying to approach any Chinese planes. Chinese fighter planes that are fast and maneuverable deliberately came as close as possible to the American plane, and then there was a collision.

I ask us to think about this in our own lives. If one car is just proceeding about its business and another one, a hot rod, tries to squirm as close as possible, some teenager trying to get just as close as possible to an old driver and then there is a collision, who do we blame?

This was not the first time, Mr. Speaker. Again and again and again, through formal and informal channels, the United States has, for a period of many months, told the Chinese side that their repeated unsafe and reckless flying, their interception of our planes and coming not just as close as safe but closer than safe, buzzing those planes, reckless disregard for the safety of both aircraft, gross negligence, would some day lead to an accident; and then it did.

I do not know why the Chinese instructed their pilots to engage in this game, or whether they were so instructed at all. Was it teenage hormones? Was it an attempt to intimidate an American plane over international waters? Or was it some effort to try to cause a collision but one that would kill Americans instead of Chinese airmen?

I do not know, but there is no moral reason for this intentionally dangerous flying, even after repeat warnings. Yet, the Chinese are asking us for an apology.

Mr. Speaker, my people have a word for that. It is called chutzpah. Chutzpah is when a young man convicted of brutally killing both of his parents goes before the judge and asks for mercy on the basis that he is an orphan, and the request for this apology fits in that same category of chutzpah.

International law is clear. That plane cannot be touched. News reports are clear. The Chinese side is all over that plane looking for every secret, dismantling equipment, in violation of international law.

International law is clear. Our people are to be back here. They retain their sovereign immunity when they land in desperation and emergency, which I might add in this case was caused by

the incredible gross negligence, repeated gross negligence, of Chinese fliers. Yet, we are being asked for an apology. Reckless flying, ignoring international law as to our plane when it is on the ground, holding our Naval airmen hostage, and they are asking us for an apology.

Perhaps the only thing that is more outrageous than all that is that, as I speak here, imports from China are being unloaded at American harbors in part of the most lopsided pro-Chinese trade relationship that any economist could ever imagine. They are allowed access to our markets where they sell over \$80 billion of goods and we are lucky if we can sell \$12 billion of goods into China.

What ought to happen is that we ought to make it clear, we ought to today stop the importation of Chinese goods until our Naval airmen are back on their ships or in American hands. Oh, but that would mean perhaps a few hours or a day of delay in bringing in tennis shoes or plastic toys, and the commercial interests that flex their muscle so strongly when we dealt with providing China with permanent Most Favored Nation status will be back here, or are already back here flexing their muscles, and their message is clear. Do not interrupt a single package, a single container of tennis shoes, no matter how lopsided the trade arrangement is, no matter how absolutely dependent China is, and they are utterly dependent on the American market, roughly half, very roughly half their exports go to the United States. We are the only country that lets them run a huge trade surplus with us and we are the only country willing to run a huge trade deficit with them.

Yet in spite of the fact that we are strong and they are weak, they are unified and we are looking only at the commercial interests of a few companies.

So, Mr. Speaker, what I fear is that corporate interests, and just a few corporate interests, engaged in this importation frenzy will demand that we apologize, demand that we pay the Chinese money. They will demand that we be weak because sniveling preserves profits.

I hope that this administration and this Congress reject that kind of thinking.

Mr. Speaker, I would like to go into my fourth topic but I see it is getting late. So I will come back to this floor to deliver a speech dealing with the fourth topic I wanted to cover, and that was our use of economic sanctions, economic carrots and sticks, in order to achieve our international objectives.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. McNULTY) to revise and