



CONGRESSMAN

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Washington Report

Second District—Tennessee

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LEGISLATIVE UPDATE

✓ **New Congress**

The 109th Congress, sworn in January 4, will have 232 Republicans, 202 Democrats, and one Independent (who labels himself as a socialist) in the House. The Republicans will also control the Senate by a 55-45 margin. However, because there are now very few conservative Democrats, the liberal-conservative division in the Congress remains almost dead even, and it takes 60 votes for cloture to cut off a filibuster in the Senate. Thus, it will still be very difficult to pass legislation that is very controversial. Each member of the House now represents approximately 700,000 except in the seven states with just one member, because each state is entitled to a member even if its population is not that high. In the very first Congress, each member represented 38,000. East Tennessee continues to be one of the most popular places to move to in the United States, and Tennessee now has nine members of the House. The fast-growing Second District now includes all of Knox, Blount, Loudon, Monroe and McMinn Counties, and about one-third of Sevier County (primarily Seymour and Kodak).

✓ **Biggest Challenges**

The biggest challenges, problems, or opportunities, depending on how you want to look at them, will be our twin deficits (fiscal and trade), Social Security and other pensions, tax reform, and medical costs (Medicare, Medicaid, rising premiums and prescription drug costs). We also need less extremism and more balance and common sense in our environmental policies. And, as the size, power and cost of the federal government continues to grow, we will have a major challenge to preserve our freedom as more and more companies come up with ideas and products to supposedly increase our own security. All of this will be affected by our foreign and military policies

and spending, especially in Iraq. As Ronald Brownstein of the *Los Angeles Times* wrote in a December 29 column: "Since the federal budget is already in deficit, that means we are effectively passing the bill for this war onto our children through an increased national debt."

✓ **National Debt**

I recently voted against raising our national debt to over \$8.5 trillion. Charlie Cook, the very respected political analyst, once said people really cannot comprehend any figure over one billion, but 8.5 trillion is a staggering amount. We also have just gone over the \$2 trillion amount in private consumer debt, mainly on credit cards. This really puts this Nation on a shaky financial footing, makes us more vulnerable to other nations, and is tremendously unfair to our children and grandchildren. Actually, we could still have a huge, active federal government with an annual budget of over \$2 trillion even if we prohibited this very reckless deficit spending. Several years ago, PBS started a series of programs called *The Presidents*. The Tennessee Congressional delegation was invited to the White House for the filming of a lecture by a historian who was the leading expert on Andrew Jackson. This professor ended his talk by saying that President Jackson, during his last two years in office, became almost obsessed with paying off our national debt, then only \$4 million. President Jackson left the Nation debt-free. We need leaders like that today. Our national debt will soon be 20 times what it was in 1970, a rate of increase many times more than the rate of inflation.

✓ **Borrowing Addiction**

Allan Sloan, financial columnist for *Newsweek*, wrote recently of what he

called our "borrowing addiction." He said Congress had better slow all the deficit spending and stop increasing our national debt because the rest of the world is not going to lend us cheap money forever. He pointed out that 43% of our privately-held national debt is now held by people or governments in other countries. "Foreigners have done us a huge favor by keeping Uncle Sam's interest costs down. But someday, for reasons of their own, the foreign central banks that are major purchasers of Treasury debt may cut way back or stop entirely... They might want to protect their own currencies, for instance, or diversify into euros. We'll be vulnerable as long as we need so much foreign money so badly." We will have to keep raising interest rates to get the foreign money we need, especially if the dollar stays weak. China announced a few days ago it was converting \$500 billion worth of dollars into euros, because the euro is backed by gold and has been going way up as the dollar has gone way down on world currency markets. *The Washington Post* reported January 4 the amount Americans owe foreign creditors has gone from \$360 billion to more than \$3 trillion in just the past eight years. *The Post* story said: "No one can predict how this process will unfold. It could come in the form of a sudden sell-off of U.S. stocks and bonds to foreigners, which could throw the world economy into recession. Or it could be much more gradual, with foreigners demanding higher yields on the money they invest in the United States, which could drive interest rates upward."

✓ **Fannie Mae**

On December 28 I wrote a letter to the Office of Federal Housing Enterprise Oversight, the chief regulator of the Federal National Mortgage Association (Fannie Mae), to ask that they not approve staggering pensions to its two top executives. Franklin Raines, Fannie

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Mae's Chief Executive Officer for only five years, and Timothy Howard, its Chief Financial Officer, were removed under allegations of mismanagement and "cooking" the books by overstating profits by \$9 billion. Mr. Raines received \$20 million in compensation last year and was guaranteed a lifetime pension of over \$100,000 per month, deferred compensation of \$8.7 million, and free healthcare coverage for life for him and his family. Mr. Howard, who was paid \$7.7 million last year, will receive an annual pension of \$430,000, plus deferred compensation of \$4 million. All this for men who left under a cloud of either scandal or shoddy management. This is ultimately a taxpayer-backed corporation. I have also asked the Chairman of the Subcommittee that oversees Fannie Mae to take action on this.

✓ **Intolerance**

National Public Radio recently reported that a woman in Montana pulled her children out of the public schools when her six-year-old daughter was prohibited from showing her Bible during Show and Tell. A fifth-grade teacher in suburban San Francisco was prohibited by his school from giving out our documents from American history, such as the Declaration of Independence, that mentioned God. Federated Department Stores, owners of Macy's, Bloomingdale's, and others, would not allow the word "Christmas" in its stores this year. Columnist John Leo wrote that schools in Plano, Texas, a suburb of Dallas, told students not to wear red and green to their "winter break" events. This is ridiculous. Columnist Charley Reese wrote: "People who claim to be 'offended' by the sights or sounds from another religion brand themselves as bigots." The ACLU received \$790,000 in legal fees and \$160,000 in court costs in its case against the Boy Scouts because the Scouts banned homosexual scoutmasters and made members take an oath "to do my duty to God and my Country." The ACLU received hundreds of thousands of dollars in other cases brought to remove the Ten Commandments from public places. Rep. John Hostettler of Indiana introduced a bill to stop allowing federal courts to make taxpayers pay these legal fees. We should pass such a bill, but we almost certainly cannot do so. For many years, minority religions in the U.S. have demanded tolerance from Christians, and rightly so. But those who follow minority religions (and even atheists) should also be tolerant of Christianity.

Several years ago, the liberal *Washington Post* Columnist William Raspberry wrote, "Is it not just possible that anti-religious bias, masquerading as religious neutrality, has cost us far more than we have been willing to acknowledge?"

✓ **Cell Phones**

Several months ago, AMTRAK, the federal rail passenger operator, tried out a cell phone-free car on its New York-Washington Metroliner. According to *The Washington Post*, so many people wanted on it, they had to add a second cell phone-free car the next day. Now the Federal Communications Commission is considering allowing the use of cell phones on airplanes. Many people say it is already bad enough to hear cell phones go off in church (even sometimes at funerals), in movie theaters, or in meetings of all types. One New York City restaurant was getting so many complaints that it started banning cell phones in its dining areas. Many people apparently do not realize that almost everyone talks much louder into a cell phone than they do in a private, in-person conversation. I have urged the FCC to not allow use of cell phones on airplanes, and I know from the countless numbers of conversations with people about this almost everyone wishes there was more cell phone courtesy and that cell phone users would make their conversations quieter and more private.

✓ **Iraq - What Now?**

After expressing my doubts about going to war in Iraq, I was called to the White House with five others for a briefing by National Security Advisor Condoleezza Rice, CIA Director George Tenet, and CIA Deputy Director John McLaughlin. I asked several questions and was told among other things that Hussein's total military budget was less than 3/10 of one percent of ours and that there was no evidence of any type of imminent threat toward us. This was in early October of 2002. Two and a half months later, on December 21, President Bush received a briefing from the same people. According to Bob Woodward's book, the President asked if this was the best they had and said that it "would never convince Joe Public." It is no criticism of the troops to say that this was a very unnecessary war. They are simply doing what they were ordered to do, and most feel very good about it, because probably at least half or more of the \$200 billion we have spent there is really foreign aid - building or rebuilding power plants, water

systems, hospitals, roads, giving jobs to several hundred thousand Iraqis, etc. Yet in one of our own government's polls, 92% of Iraqis view us as occupiers. Why? Well, William R. Polk, writing in the January 17 edition of the *American Conservative* magazine, said "people of all religions and races have a common desire to control their own lives." Mr. Polk was responsible for the Middle East on the State Department's Planning Council. He noted: "Iraq's society has been torn apart and perhaps as many as 100,000 Iraqis have died. Virtually every Iraqi has a parent, child, spouse, cousin, friend, colleague, or neighbor - or perhaps all of these - among the dead. More than half were women and children. Putting Iraqi casualties in comparative American terms would equate to about one million American deaths. Dreadful hatreds have been generated." He added that "the longer the fighting goes on, the worse the chaos." Our first obligation should be to our own troops. Over 1,300 young Americans have been killed and many thousands more have been wounded, many losing eyes, legs, arms, or hands. I have no desire to hear the President say he was wrong on this, and he does not believe he was. But I wish he would go on national television and say no nation has done as much for another country as the U.S. has for Iraq and that we got rid of Saddam Hussein and helped them hold elections. But we cannot do more unless they stop killing our troops and blowing each other up. We have too many needs here at home; we are borrowing all the money we are spending in Iraq; and the sooner we get our young soldiers out of there, the better. *The New York Times* said in a front-page story on January 10 that "all over Washington, there is talk about new ways to define when the mission is accomplished - not to cut and run, but not to linger, either."

✓ **Foreign Policy**

Almost 80% of House Republicans voted against President Clinton's bombings and military actions in Bosnia and Kosovo. We had no vital national interest there, and that was the first time we changed NATO from a purely defensive body into an offensive organization. It is my belief that most Republicans and talk radio hosts would have opposed the war in Iraq if it had been started by a Democratic President, and vice-versa. Now, finally, many conservative commentators and columnists are beginning to realize there was nothing conservative about waging a preemptive war in Iraq. I am not a paci-

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fist and voted for the war in Afghanistan to respond to 9/11. But we have done enough there now, too. It seems that no matter which Party, many in Washington want to be seen as world statesmen and men and women of action. They worry too much about their place in history. They certainly do not want to be labeled as isolationists. All those who have anything to do with foreign or defense policies know they will get more money, power and prestige if the U.S. gets involved in every major religious, ethnic or political dispute around the world. Governing or defending just the U.S. is simply not enough. How we need more Calvin Coolidges in our government today. Two years ago, I was part of a Congressional delegation that made a brief visit to Australia. Our Ambassador said that 80% of Australians were opposed to our actions in Iraq, but that the Australian government was supportive because it was "ahead of the people." This was a very elitist attitude but was true of most countries throughout the world. Our interventionist foreign policies are isolating us from the great majority of the rest of the world. We should not place our troops under U.N. command, and we should not base our decisions on what any other country thinks. But if we followed a much more neutral, less interventionist foreign policy and brought most of our military back to the U.S., we would have many more friends and our homeland would be much more secure. Traditional conservatives have never believed in world government, even if run by the United States.

✓ **Big Government**

Only in a free market, small government system does a little man or person without great capital stand a chance. As government grows bigger, and produces more rules, regulations, and red tape, every business or industry becomes more and more dominated by big giants. The biggest businesses get most of the government contracts, tax breaks, and favorable regulatory rulings. Look at the FDA, which causes such high drug prices. As the FDA has grown into such a huge bureaucracy, the pharmaceutical industry has ended up in the hands of a few big giants. Most small companies find it takes far too long and far too much money (and too many lobbyists and federal retirees) to get a drug or medical product approved. Environmental rules and regulations have driven many small businesses out of existence. Yet leading environmental groups demand even more regulation. They receive most of

their funding from those connected to our biggest businesses. Those on the left, who often claim they are for the little guy, have become the best friends extremely big business has.

✓ **Competition**

Because of too much government regulation and taxation, the cell phone and cable industries, like many others, are dominated by a few big giants. We need governments at all levels to allow, even encourage, more companies to enter these businesses. If we do not, cell phone and cable bills, already too high, will go even higher. Former Knoxville City Councilman Larry Cox said at the start of this school year that three girls at Fulton High School were in the office saying they could not afford a \$50.00 student activities fee. He said he was told all three had cell phones. I am not against either cell phones or cable TV. However, these are luxuries that most people now regard as necessities. Many people who have them really cannot afford them. If a young couple invested the same amount in conservative stocks that they pay in cell phone and cable TV bills, they could retire early with a substantial fortune.

✓ **Defense Spending**

Over the last decade, U.S. defense spending has doubled, an increase about three times the rate of inflation. Counting regular, supplemental and military construction appropriations, we now spend almost as much as all other nations combined on defense (\$466 billion for the U.S., \$500 billion for the rest of the world). We have by far the best paid, best equipped, best educated military in the world, and this is good. While one soldier created an uproar about humvees not having enough armor, another soldier assigned to a humvee in Iraq wrote the Charleston, S.C., newspaper, saying if you put any more armor on them, it would be even more dangerous, because humvees are not supposed to be tanks and need to get in and out quickly. Whoever is right, we all want our soldiers equipped as well as possible. We are now buying state-of-the-art equipment long before other equipment is even close to being used very much at all. There are sometimes delays or inefficiencies in getting some of the newer equipment to the field because modern day technology improves things so fast and because any gigantic bureaucracy is almost inherently inefficient. I have voted for large increases in defense spending, however, the Congress needs to realize that there is

waste even in the Defense Department. We now have far too many officers, one for each five enlisted men. Many people have commented about the large number of retired admirals and generals on television. Taxpayers are now supporting 6,956 retired admirals and generals compared to 880 on active duty. A large number of admirals and generals retire early and then go to work for big defense firms, and other government contractors, or groups that lobby for higher defense spending. The *International Herald Tribune* said there is a "revolving door" between the Pentagon and defense contractors, with almost 300 high-level officers going to our 20 largest defense firms at very high salaries just since the late 90's.

✓ **United Nations**

A United Nations official was quoted in news reports as saying the United States was "stingy" in its commitment to relief aid after the recent tsunami. The United States has been for many years and remains by far the most generous nation in the world. Private and religious U.S. charities contribute more than 10 times the entire U.N. budget. The U.S. pays almost 25% of U.N. dues and relief aid and almost all of the costs of U.N. "peacekeeping" operations. All of this does not even count direct and indirect U.S. foreign aid. Liberals realized many years ago that foreign aid was not popular. So they just started doing it through every major department and agency of the federal government (almost all of which have operations in most foreign countries) or through the World Bank and International Monetary Fund. And all of this does not count what thousands of private U.S. citizens do in helping immigrants or in helping others as they travel around the world. The U.N., on the other hand, as *60 Minutes* pointed out a few years ago, is notoriously wasteful and corrupt. The \$20 billion Iraqi oil for food scandal at the U.N. is just the latest example. This fiasco enriched many well-connected individuals and businesses, including even Saddam Hussein for several years.

✓ **Smaller Schools**

For many years I have believed it was a mistake to close so many small schools and go to very large, consolidated schools. At a smaller school a student has a much better chance to make a team, serve on the student council, lead a club, or be a cheerleader than at a big school where students sometimes are just numbers. In 1930, the average size of U.S. schools was 100. A few years ago, New York City's largest high

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school had 3,500 students. The authorities split the school into five separate schools, and drug and discipline problems went way down. Six years ago, working in a bipartisan way with a Democratic Congressman from Indiana, we came up with and obtained funding for a program originally called the Smaller Schools Initiative. The hope was that we could give grants to school systems to help keep open some smaller schools that otherwise might have to be closed. The Department of Education has made some changes in this program and now calls it Smaller Learning Communities funding. But I am pleased that the appropriations for this have gone from \$45 million the first year to \$173,967,500 this past year. In October the Associated Press published a national story about what it called the small schools movement: "Thinking small may be the next big thing at American high schools. From Oregon to New York, school districts are scaling down to combat problems that are very big indeed: high dropout rates, sinking test scores, and low attendance." Children are better off going to a small school in an old building, as long as it is safe and clean, than to a brand-new, gigantic school where few people know who they are.

✓ **Air Pollution**

About four years ago, the liberal magazine, *The New Republic*, published an editorial saying that both our air and water were much cleaner than 25 or 30 years ago, but some groups would not admit this for fear of decreasing their contributions. A few months ago, the EPA announced that 474 counties, including some in East Tennessee, were in violation of new clean air standards. EPA Administrator Mike Leavitt said: "This isn't about the air getting dirtier. The air is getting cleaner. These new rules are about...our standards getting tougher and our national resolve to meet them." Everyone is in favor of making our air as clean as is reasonably possible. However, one of our top local officials said if these new rules were strictly enforced, you would have to ground every car and truck in Knox County. We need to use a little common sense and balance our desire for cleaner air with other needs like health care, food, housing, clothes, transportation, jobs, etc. Professor Kenneth Chilton, writing in *The Washington Times*, said: "Indeed, Americans have been paying more to reduce smog levels than it is worth to them for some time. The old standard that was based on a one-hour level of 0.120 parts of ozone parts per million (ppm) of air already cost \$4 to

produce \$1 of health benefits. The new eight-hour standard of 0.08 ppm has been estimated to require on the order of \$20 to produce \$1 of benefits."

✓ **Eminent Domain**

The whole history of eminent domain has been in large part taking land from the poor for the use and benefit of the rich and/or government bureaucrats. Government at all levels in this Country now owns or controls half the land and continuously wants more. You can never satisfy government's appetite for money or land. On top of this, government at all levels is continually putting more and more restrictions on the land that remains in private ownership. If this trend continues housing prices will continue to skyrocket, new homes will be built on much smaller pieces of land, and more young families will be crowded into high-rise apartments or townhouses. A very important part of the American dream – home ownership – will slowly fade away for many young people. Huge parts of East Tennessee have been taken over the years from poor or lower income families who would be rich today if they still had their land. Columnist Thomas Sowell recently wrote about the "misuse of the power of eminent domain" and how government was taking property from working-class people: "Those who are constantly denouncing greed almost never apply that term to what the government does, no matter how unconscionable it may be, as the routine misuse of eminent domain has become with its Robin Hood-in-reverse redistribution of wealth."

✓ **TVA Board**

When I first came to Congress 16 years ago, I began speaking out against TVA going further and further into debt. This debt reached almost \$30 billion at one point and was costing TVA 34 cents of every dollar just to service it. Later, I requested that the Federal Financing Bank let TVA refinance some of this debt when interest rates went down and this helped. I have publicly praised the current Board several times for bringing down some of this debt. TVA has enough technical experts, but what was needed on the Board was three very fiscally-conservative members. Now, we are moving from a three-member, full-time Board to a nine-member part-time board with a strong CEO to supposedly make TVA more like a private business. Enron and several other scandal-plagued corporations have shown that a part time board is not a magic bullet. I hope the new board members will be people with experience in small busi-

ness where they have had to watch every dollar and know what it means to be fiscally conservative.

✓ **TVA Salaries**

The new "reforms" at TVA remove the federal salary caps. I hope I am wrong in believing this was a mistake. If the new Board is filled with big business, big-spending types, you will probably see the top salaries at TVA explode. People can rationalize or justify almost anything, and the easiest thing in the world is to find someone in the same field making a ridiculously high salary. TVA has had almost no attrition in recent years. East Tennessee is one of the best places in the world to live and work and there is not as much pressure in the public sector as in private business. Some of the top people at TVA, who compare their salaries to a very small handful in the private sector, should instead compare their compensation to the 98% who make less than \$150,000 a year. The top people at TVA should feel very lucky to have their jobs. I hope they are not so arrogant they believe they could not be replaced by very good people at even lower salaries. For several years, TVA has gotten around the salary caps by giving huge bonuses or deferred compensation packages. I have opposed this as being very unnecessary and exorbitant, but I really cannot do anything about it, because the rest of the Tennessee Congressional Delegation does not share my opinion on this. I hope the new Board will not allow these salary excesses to grow even worse. I hope they will keep in mind that most people I represent already do not have an easy time paying their utility bills.

✓ **Social Security**

Social Security's Trustees have estimated that the program's obligations over the next 75 years will be \$3.7 trillion more than it takes in. This is a mind-boggling figure, yet the White House says the shortfall will be closer to \$10 trillion. In 1945, 10 years after Social Security was established, there were more than 40 workers contributing for each retiree receiving benefits. Initially, the payroll tax was one percent on the first \$3,000 of income. Today, the combined payroll tax is 12.4 percent on annual incomes up to almost \$90,000. The worker-to-retiree ratio is less than 3.5 to one today and is projected to be only two workers for each retiree by 2030. In addition to regular Social Security pensions, the federal government has whopping liabilities for disability payments, Medicare, Medicaid, military and civil service pensions, our

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rapidly-growing military budget, interest on the national debt, welfare and food stamps, and thousands of other programs, large and small. In addition to all this, the government supposedly guarantees thousands of private pension plans through the Pension Benefit Guarantee Corporation, whose deficit is currently at a record \$23.3 billion. There is no way we can meet all these obligations in the very near future, with real problems starting in the early retirement years of the Baby Boomers. Anyone who hopes to receive any type of check from the federal government (Social Security or otherwise) a few years from now in dollars that have not been terribly inflated should start demanding that the federal government become much more fiscally conservative.

✓ **Reform**

Another part of the problem is that the workforce is growing much more slowly than the percentage of the population that is over 65. Thus, *The Washington Times* said in a December 20 editorial: "The status quo is not acceptable. An overhaul of the 70-year-old Social Security program deserves to be at the top of the President's agenda." Several efforts at reform in the past have failed or have made only minor charges. This time the cost of doing nothing will be far greater than doing something. Shortly after coming to Congress, I attended a small meeting on Capitol Hill to hear a presentation by the Finance Minister of Chile. Their Social Security System had been patterned almost word for word after ours. However, they realized many years ago that such a system was almost inevitably doomed to fail. So the Minister and other officials went on national television week after week for a year explaining the choice. He said when the people finally voted, almost 89% voted to go into a partially-privatized system. The only ones who voted to remain with traditional Social Security were those at or near retirement. Whatever we do, we need to give people as much choice as we can and protect those now drawing Social Security. We also need to remove disincentives to save from our tax code and educate young people so they will realize they should not count on Social Security to be their full retirement.

✓ **Omnibus Bill**

Once again, as in almost every year since I have been in the House, the Congress ended the year by passing an omnibus appropriations bill. This year, it was for \$388 billion, 3,320 pages,

with all sorts of wasteful and even ridiculous projects. Because it was a last-minute, catch-all, hodge-podge type bill, no one who voted for it could have known even a tiny fraction of what was in it. *The Washington Post* said the bill "had not been read or carefully considered by the vast majority of members, including some of those most involved in its construction." This is no way to do such significant legislation, and even the Chairman of the House Appropriations Committee said, "It's a bad way to do business." Its supporters were embarrassed when they discovered a few days after the bill was passed that it contained a provision allowing Appropriations Committee members and staff to inspect anyone's tax return. We did do a quick repeal of this section, but the bill still contains thousands of items like \$100,000 for the Punxsutawney (groundhog) Weather Museum in Pennsylvania and \$100,000 for the Highland Falls Film Festival in Rochester, New York. Syndicated columnist Donald Lambro called this bill "outrageously wasteful" and wrote: "What is the justification for billing taxpayers \$350,000 for the Rock and Roll Hall of Fame and Museum in Cleveland? Why can't the immensely rich music industry pay for this out of the billions they have made over the years of rock 'n' roll sales?" Thirty members of the Senate voted against this bill, and it was opposed by 51 in the House (27 Republicans, 24 Democrats).

✓ **Increased Immigration**

In addition to the wasteful spending, another reason for my vote against the omnibus bill was that it allowed another big increase in the number of so-called "skilled" or technical workers permitted to immigrate into the U.S. On November 17, the *National Journal's Congress Daily* publication reported on what it called an "intense lobbying" campaign to allow an increase to 90,000 a year in the H-1B visa program. This was a campaign by several corporations, mostly multi-national, so they could hire computer programmers, engineers and other high-tech workers at lower salaries. Over the last decade or so, Congress has allowed hundreds of thousands of these workers on top of the millions of legal and many more millions of illegal immigrants we now have here. I spoke on the Floor of the House against this, because we already have many thousands of our young college graduates, even with advanced degrees, who cannot find good jobs. I do not believe we can continue for

much longer to bring in foreign workers to take so many of our best jobs.

✓ **District Projects**

The omnibus bill did contain many projects that I and my staff had requested and or supported by letters, meetings, or talking to key members or staffers. Most of these had been passed by the House in individual bills, but were placed in the omnibus because the Senate had been unable to pass most individual appropriations bills. I vote for some of these bills and against some. But even if I vote against a spending bill, I believe I should try to get our fair share for our District and support legitimate projects requested by local government officials or community leaders. A few examples of the many projects we helped obtain funding for in 2004 include:

1. \$475,000 to construct an East Tennessee Veterans Memorial
2. \$500,000 for the University of Tennessee Cancer Institute
3. \$1 million for a Loudon County overpass (intersection of US-321 and US-11)
4. \$2 million for the Knoxville intermodal facility
5. \$250,000 for the Blount County Sheriff's Department
6. \$250,000 for the University of Tennessee Medical Center
7. \$1 million for the University of Tennessee Natural Resources Policy Center
8. \$500,000 for the East Tennessee Historical Society

✓ **Trade Deficit**

If someone had predicted 10 years ago, or even five years ago, that our trade deficit would now be running at an annual rate of \$700 billion, as it currently is, most people would have thought the prediction was crazy. This means we are buying this much more from other countries than they are buying from us. Lou Dobbs, the CNN commentator, said: "We're not creating jobs in the private sector, and that's never happened before in history.... We've lost three million jobs in this country over the last three years and millions more American jobs are at risk of being outsourced to cheap, overseas labor markets." He points out that all our principal trading partners maintain annual trading surpluses. Columnist Paul Craig Roberts, Assistant Secretary of the Treasury under President Reagan, wrote in December: "Offshore production and job outsourcing benefit the recipient countries and turn what was formerly domestic production into

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imports. Americans lose their income while the trade deficit and pressure on the dollar value increase. Clearly, there are no net gains to Americans from this transaction.”

✓ **Outsourcing**

In addition to bringing in so many workers from other countries, we continue to support many millions of jobs in other countries through outsourcing. I was pleased that TVA agreed to end two contracts in which work was being subcontracted to employees in India after I brought this up at a hearing of my Water Resources and Environment Subcommittee. I also was a cosponsor of H.R. 3820 in the last Congress which would have prohibited the federal government from outsourcing with the companies of foreign countries unless required by geographic or military necessities. More attention will have to be called to this in the new Congress. Last June, the Congressional Research Service released a report which said: “An increase in offshore outsourcing of high tech jobs, including computer programming and chip manufacturing, may enable a transfer of knowledge and technology that may eventually threaten U.S. global technical superiority and undermine current advantages.”

✓ **Chickamauga Lock**

At another hearing of the Water Resources Subcommittee, I asked the Secretary of the Army for Civil Works if he would come tour the Chickamauga Lock near Chattanooga. He agreed to do so, and several weeks later, we visited the facility, along with Congressman Wamp. After this tour, we were told the funding to repair and expand the lock would be included in the President's Budget, and this funding has now been

approved. One barge (on average) replaces 58 tractor trailers and one tow can carry as much as 870 large trucks. If we had not been able to get this work approved, it would have meant many thousands more tractor trailers on the highways of East Tennessee each year. While this lock is in the Third District, it is more important to our District.

✓ **Economic Leverage**

With slightly less than four percent of the world's population, we buy almost 25% of the world's goods. Thus, every nation wants into the U.S. market, and we have tremendous economic leverage we have not used. We are at our biggest disadvantage with China. Our annual trade deficit with the Chinese is currently running at an annual rate of more than \$150 billion. The Chinese are probably amazed that we have not been tougher in our trade negotiations with them. On March 1, we begin a 90-day period in which we could withdraw from the World Trade Organization (WTO). We will not withdraw, even though the WTO has ruled against the U.S. on everything. But at some point, we need to tell China that we cannot sustain such a tremendous trade deficit forever. We need to tell the Chinese that we want to continue to buy things from them, but that they need to find some things they can buy from us so that the trade between our countries starts heading back towards some type of balance.

✓ **Tax Reform**

According to the very-respected *Christian Science Monitor* newspaper, the U.S. economy started slowing dramatically seven months before President Bush first took office. Before he even had his top appointments in office, we were in a full-blown recession.

A few months later, the terrible events we refer to as 9/11 hit. The main things that kept our economy strong through all this were the tax cuts the Congress passed, especially the marriage penalty relief, the increase in the child tax credit, the estate tax reduction, and the lowering of some of the rates. I hope we can keep these cuts in effect. Also, I intend to support any reasonable effort to simplify our code. We now spend approximately \$250 billion in tax preparation costs. There is no good reason to have such a complicated, confusing, convoluted code where even most of the advice the IRS itself gives out is wrong. However, major reform is unlikely, even though probably 85% of the people want it. But the IRS and the tax-writing committees in the House and the Senate would lose most of their power, so they are opposed to major simplification, as are most tax preparers and many major corporations and charities.

✓ **Optimism**

This newsletter discusses many problems facing the Nation, because you have to discuss problems to do anything about them and there is no need to do anything about things that are going extremely well. However, I remain optimistic and hopeful about our future in spite of the big problems we face. For one thing, we still live in the most prosperous nation in the world. We just need to do everything possible to keep it that way. The second biggest reason for my optimism is because of what is happening in East Tennessee. Our area has been and still is one of the most popular parts of the U.S. for people to move. It is my belief when we look back 20 or 30 years from now, East Tennessee will be at or very near the top in sections of the country that have done well economically.

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