

Undergirding the creation of civil society are a number of economic factors. Transformation must include financial reforms and appropriate incentives for government, business and the nonprofit sector. Incentivized strategies will allow for the most creative and unencumbered approaches toward development of a civil society. Resources are each sector's investment in the shared vision.

#### ACTION ITEMS/GUIDING PRINCIPLES

Congress must protect the current tax-exempt status of nonprofits and expand the charitable deduction to non-itemizers.

Business must encourage employees to give both money and time to their communities.

Congress should develop tax incentives for business to become more involved in their communities.

Business should seek ways to partner with nonprofit organizations to leverage human and financial capital for community needs.

Nonprofits should seek ways for their constituents to invest in their services to create new revenue streams as they are available.

Business and government should create incentives for displaced workers to join in creating a civil society by working in nonprofit causes.

5. Establish requirements and measurement systems that will ensure mutual accountability for community outcomes.

The focus of accountability and regulation must go beyond cost-effectiveness and highlight outcomes leading the realization of our vision. Currently, in both the nonprofit and government sectors, accountability often relates only to process. The ultimate accountability questions in a civil society are: "What impact did we have in the community? What benefits, and at what cost?"

#### ACTION ITEMS/GUIDING PRINCIPLES

Impact measurements should be developed using common benchmarks among all three sectors, by which progress and success may be measured and all involved may be held accountable for their work.

A system to measure efficiency and impact should be developed specifically for nonprofit organizations.

Government regulations of the nonprofit sector should be focused on outcomes rather than on processes. Government should be especially sensitive to the effect of regulations on small, grassroots organizations and the tradeoff of impact for efficiency that burdensome regulations can cause. There should be a balance of regulation that brings about meaningful accountability without sacrificing the ability of nonprofits to have significant impact.

Intermediate sanctions should be developed to allow the IRS to impose targeted and proportionate measures on a public charity's officers, directors or other individuals in cases of abuse in nonprofits.

The emerging field of business ethics and accountability should align itself with community outcomes for the shared vision.

### COMPUTER MODERNIZATION

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 12, 1997

Mr. HAMILTON. Mr. Speaker, I am inserting my Washington Report for Wednesday, January 8, 1997 into the CONGRESSIONAL RECORD.

COMPUTER MODERNIZATION IN THE FEDERAL GOVERNMENT

During the past several months, President Clinton urged Americans to work together to

provide computers and an Internet link-up for every school and library in the country. The idea is to give every school child, indeed, every citizen, across the country the same access to information of every conceivable sort. This promises to expand greatly the educational and employment opportunities for all Americans. The President is surely right to focus on information technology as a key to education and opportunity in the 21st Century.

The federal government, however, has not been a model of successful computerization. The "reinventing government" effort has already resulted in a federal government that is smaller and cheaper in terms of proportion of our GDP than at any time since the early 1960's, but it has been hindered by the failure of the government to modernize its computer technology. While some agencies are doing a good job government cannot "work smarter" unless it has the best and most modern information tools.

*Outdated Technology:* The federal government spends about \$30 billion per year on information technology, but sometimes it is hard to see the benefits. A recent report by the General Accounting Office, Congress' investigative arm, documented failures in government acquisition and management of information technology. This report criticized in particular two agencies that have direct impact on all Americans: the Federal Aviation Administration (FAA) and the Internal Revenue Service (IRS).

The FAA began a comprehensive modernization of the nationwide air traffic control system in 1981. Today, 16 years and several billion dollars later, air traffic controllers are still using 1960's-vintage equipment. The men and women responsible for the safety of passenger airliners depend upon equipment using vacuum tubes so antiquated that replacements have to be imported from Poland. As might be expected, this equipment is prone to frequent breakdowns. Experts say that several fatal airplane accidents could have been prevented by better computers. The good news is that air traffic controllers will finally begin to receive new and more reliable equipment this year. But it has taken too long, and cost too much.

The IRS has spent vast sums on new computers—some \$4 billion to date—with only limited results. Most returns are still processed the old fashioned way, by hand, with error rates of as much as 16%. This waste is compounded by the fact that obsolete technology lets many tax cheats off the hook. The IRS itself has estimated that in 1995 it failed to collect \$170 billion owed the government. If better computers allowed the IRS to collect even a fraction of that amount, it would go a long way toward balancing the federal budget.

*Roots of the Problem:* Why has the government spent so much money but fallen so far behind in information technology? One reason is the complexity of tasks we ask the federal government to do for us. For instance, keeping track of dozens or hundreds of aircraft flying through a particular sector, or managing the tax returns for a nation of 260 million people, are tasks which overwhelm most sophisticated supercomputers. Faced with "downsized" staffs and increased workload, the FAA and IRS attempted to leap to "new generation" computer systems. Unfortunately, they did not have the proper management or technical skills to oversee creation of this advanced technology.

A lack of management expertise has hindered attempts to automate operations throughout the government. The political appointees who run our agencies serve for a few years at most (an average Cabinet Secretary, for example, serves about 2 years), and do not possess the specialized skills nec-

essary to oversee a multi-year technology project. The departure of many top managers from the government to the corporate sector makes a tough job even more difficult. The government, of course, cannot compete with the salaries offered by private companies. This loss of talent has been worsened in recent years by anti-government rhetoric, culminating in last winter's government shutdowns. This has hurt morale throughout the career civil service and prompted many of the best government professionals to seek other careers.

There are other reasons for the poor government track record on computer modernization. Congress, for example, has in some cases simply slashed budgets for technology, without providing alternative means for agencies to replace obsolete technology. In addition, government procurement rules have often impeded modernization efforts. These regulations were aimed at preventing waste and ensuring fairness in the purchasing of goods and services, but have often proved too restrictive and too cumbersome.

*Moving Toward Reform:* Fortunately, the situation is improving. In the past few years, Congress has passed new laws to improve procurement and the management of information, and to eliminate red tape. These new laws, drawing upon private sector models, have decentralized decision-making and made it easier for government agencies to act like private companies in negotiating the best deals when buying computers and other items. They have also mandated that agencies give higher priority to information technology modernization.

Early indications are that agencies are using their new administrative freedom well and making real gains. For instance, after implementing a new computer system, the Social Security Administration was ranked as offering the best telephone customer service in the nation. Also, the U.S. Postal Service, thanks to increased automation, achieved record on-time mail delivery in 1996. Congress must keep the pressure on so that we see more progress in the years ahead.

*Conclusion:* Hoosiers want government to work better and cost less. But as we ask government to do more with less by "working smarter", we have to make sure it has the proper tools to do the job. Congress and the President must work together to ensure that the federal government has the necessary management expertise and administrative flexibility to procure and effectively to use the best information technology. Only then can the government serve its customers better.

### MEXICAN BAILOUT

HON. RON PAUL

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 12, 1997

Mr. PAUL. Mr. Speaker, President Clinton, in his State of the Union Address, proudly announced that "We should all be proud that America led the effort to rescue our neighbor, Mexico, from its economic crisis. And we should all be proud that Mexico repaid the United States—3 full years ahead of schedule—with half a billion dollar profit to us." The reporting of this payback and the State of the Union Address was all favorable, highly praising the administration. The bailout was bipartisan so leaders of both parties were pleased with the announcement. International finance, just as it is with international military operations, is rarely hindered by inter-party fights

that get so much attention. But there are several reasons why we should not be too quick to congratulate the money manipulators.

First, they merely celebrate the postponement of the day of reckoning of their financial Ponzi scheme. It took \$50 billion in United States dollars to save creditors who had unwisely invested in Mexico prior to the crisis of 2 years ago. Much of this \$50 billion also included U.S. credit extended through the IMF, the World Bank, and the Bank of International Settlements, much of which is yet to be repaid.

Second, foreign government welfare, and there is no better name for it, takes money out of the productive sectors of the economy—the paychecks of middle-class Americans—to reward economic mismanagement and political corruption. Such welfare exacerbates Mexico's suffering: social disruption, economic stagnation, debt crises, and declines in real incomes.

Third, a new fund set up under the IMF will serve to bail out the next Mexico in trouble. The plan calls for the establishment of a \$25 billion credit fund with the United States ponying up \$3.5 billion. This fund is in addition to the IMF funds already available for such crises. Mexico has also received help from the Inter-American Development Fund; again, indirectly supported by United States taxpayers. These funds indirectly guarantee the newly-issued Mexican Government bonds and undermine the normal incentive for investors to police governments.

As such, more confidence is now being placed in new Mexican bonds enabling Mexico to refinance its old loans. Of course, it is at slightly lower interest rates, but they are more than doubling the time of repayment. All investments involve some risks. The rewards of such risk-taking are appropriately realized by investors as loans are repaid. American taxpayers should not, however, be forced to subsidize the Wall Street financier any time such entrepreneurial ventures are unprofitable. The true test of the professed confidence in Mexico will come from the level of private investment into the productive sectors of the economy.

Fourth, the Fed is allowed to hold Mexican bonds and use them as collateral for our own Federal Reserve Notes. It does so, even though it will not admit it, and refuses to reveal just how much it holds. It is quite possible that the newly issued Mexican bonds will find their way into the Fed's holdings. How far down the road we have traveled from constitutional money when we are backing the dollar not with gold but with Mexican bonds!

Fifth, a likely motivation for this fanfare regarding the repayment of the loans, and the so-called profits engendered, is to get the United States Congress to go along with using this money to pay our back dues to the United Nations. How about paying our so-called U.N. back dues with our Mexican bond holdings?

The use of the Exchange Stabilization Fund to bail out the peso was illegal and unconstitutional, and yet now we have a precedent not only established but praised for its great success. This precedent encourages political currency manipulation over sound fiscal and monetary policies as well as establishes the United States as lender of last resort for all governments with bad policies.

President Clinton claims that "We stand at another moment of change and choice—and another time to be farsighted, to bring America

50 more years of security and prosperity." He earlier told us the "era of big government is over," but calls for full burden sharing through the IMF in a multilateral way with the Mexico agreement. We need to end this shell game of masking economic mismanagement by circumventing both the Constitution and Congress.

We must stand firm in our opposition to the establishment of new extra-governmental agreements that will reward governments with irresponsible policies which, at the same time, punish their own people and erode U.S. sovereignty. Such policies take us one step further from a constitutional rule of law, and institutionalize the United States as the world's lender of last resort—all at the expense of the American taxpayer.

Political and economic factors can override, only in the short run, the subtle reality that the fiat nature of the dollar guarantees its inherent weakness and steady depreciation. This new easy credit scheme that the Government creates by fiat only expands the World Dollar Base leading to U.S. dollar depreciation and reduced buying power.

In essence, the bailout of Mexico and the financing of the payback with interest, to the sheer delight of the politicians and their Wall Street constituents, were done on the back of the United States dollar and the United States taxpayer. The real consequence, however, will not be felt until dollar confidence is lost which will surely come and be accompanied by rapid inflation and high interest rates.

#### INVESTMENT COMPETITIVENESS ACT

HON. PHILIP M. CRANE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 12, 1997

Mr. CRANE. Mr. Speaker, today I am introducing the Investment Competitiveness Act along with my colleagues, Ms. DUNN and Mr. McDERMOTT. In a nutshell, this legislation is designed to encourage additional foreign investment in the United States by eliminating a tax that we impose on foreigners only when they invest in the United States through a U.S. mutual fund. As chairman of the Ways and Means Subcommittee on Trade, I view this tax issue from the trade perspective—we ought not be setting up artificial barriers to trade or investment, particularly when others do not require the same of us. Such a policy is not only contrary to basic free market principles, but leaves us with a tax policy that discourages foreign investment in the United States through mutual funds—meaning the money goes elsewhere. Our ability to encourage foreign investment in U.S. securities will help lower capital costs and interest rates here at home. That means that money will be more easily available for entrepreneurs to create and expand business opportunities, meaning more job creation in the United States.

Under present law, most kinds of interest and short-term capital gains received directly by a foreign investor or received through a foreign mutual fund are not subject to the 30 percent withholding tax on investment income. However, interest and short-term capital gain income, when received through a U.S. mutual fund, are subject to the withholding tax. With-

out getting into too much detail on the technical aspects of the bill at this time, I would simply say that this legislation would modify the tax treatment of income received by a foreign investor through a U.S. mutual fund so as to make it generally comparable to the tax treatment of the same income when received directly or through a foreign mutual fund.

Mr. Speaker, I believe this legislation makes good sense both from a tax and trade policy perspective, and I urge my colleagues to lend their support.

#### TRIBUTE TO THE HONORABLE FRANK TEJEDA

HON. FLOYD SPENCE

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 12, 1997

Mr. SPENCE. Mr. Speaker: It is with great sadness that I rise today to honor my friend and colleague, Frank Tejada, who served our Nation in the House of Representatives for the last 4 years of his life. I wholeheartedly support H.R. 499, legislation which designates a U.S. Postal building in San Antonio to be named the "Frank M. Tejada Post Office Building". Though this is a small gesture with which to recognize Frank's life work, this monument will serve as a testimonial to Frank's heroic public service in his hometown of San Antonio and for our Nation at large.

Frank's career as a dedicated public servant is highlighted by his ongoing commitment to our national defense. He joined the Marines when he was only 17 years of age. While serving in Vietnam, he earned the Bronze Star for valor and the Purple Heart for sustaining wounds during an enemy ambush. Frank was also awarded the Commandment's Trophy, the Marine Corps Association Award, and the Silver Star.

After returning from Vietnam, Frank attended Marine Officers Candidate School and attained the highest grades in the history of the school. He continued on to earn his bachelor's degree in government from St. Mary's College. After graduating from college, Frank went on to earn several high academic degrees from our country's most prestigious schools: a juris doctor from the University of California at Berkeley, a masters degree in public administration from Harvard, and a master of laws degree from Yale.

Prior to being elected to Congress, Frank served 16 years in the Texas legislature: 10 years in the Texas House of Representatives and 6 years in the Texas Senate. Throughout this time, Frank championed veterans' issues and especially, veterans' housing and medical care.

Frank was a valued member of the House National Security Committee for the duration of his career in Congress. I and the other members of the committee will miss him and the high ideals that he brought to his work. As a member of the National Security Committee, Frank fought against defense spending cuts and base closures that would have negatively affected the Nation.

Frank Tejada was an exceptional politician and a patriotic American. I am thankful to have known him and to have worked alongside him. His leadership, intellect, and friendship will be greatly missed by us all.