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2001 HOUSE FINANCE AND TAXATION

HCR 3040

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HCR 3040

House Finance and Taxation Committee

Conference Committee

Hearing Date February 12, 2001

Tape Number	Side A	Side B	Meter #
1	X		2,309
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

REP. AL CARLSON, CHAIRMAN Opened the hearing.

REP. DOUG LEMIEUX, DIST. 9 Introduced the resolution. We have known for a good number of years but not discussed, the ability to market a product in the world market. We have a strong U S dollar. As recently as last week, in the Minot Daily News, they mentioned cranby producers, in the year 2000, the cranby contracts were seven cents. The contracts for the year, 2001 are again seven dollars a hundred weight. Yet, the Kings, who are operating out of Carrington, ND, have suggested that the costs to the consumers in Europe will be up seventeen percent because the Euro has dropped in comparison to the American dollar. If the Euro had stayed the same, and had we had a fifteen percent increase in prices, the American producers would be looking at eight dollars and five cents for cranby in North Dakota. I think it would behoove the federal reserve to really examine what the policy of the high valued American dollar has had on our ability to compete in the world market. As a farmer, I have lived through the

opening up of trade into the world market, and I have lived through a number of different farm programs. This last farm program, the Fair Act, known by many as Freedom to Farm, we have had the Democrats say the failure of production in agriculture has been at the hands of Freedom to Farm, and the Republicans have said that the failure has been our not using the export enhancement, yet, when we do a close analysis of it, I feel personally, we are both wrong. If we go back to 1996, and look at the history of North Dakota, in 1996, we were having a difficult time booking a room at the Holiday Inn in Minot, Grand Forks or Fargo. We had a substantial number of people traveling to North Dakota from Canada. When we look at the value of the American dollar, it has a direct effect on our ability as production American. It is not just agriculture production, it is a lot of production. We have seen many industries, we would have liked to come to North Dakota, have left the country, because the dollar could buy so much more there. I think the federal reserve should do an analysis and report back to us.

REP. RENNERFELDT Are you saying we should have a bad economy, and that would be good?

REP. LEMIEUX No, I am asking that the federal reserve take a look at what has happened and through sound fiscal policy, not make such drastic moves.

REP. RENNERFELDT Our economy is much better, when we don't have the socialism and the things they are doing in Canada, they can't afford. That is why our dollar is where it is at. I don't know how you could do our sound fiscal policy any other way. The federal reserve could dictate a different policy.

REP. LEMIEUX The question I am asking is for the feds to really take a closer look at how that fed policy is. This has not happened overnight, we have had a strong American dollar that

has lasted awhile, it could put us out of the world market. It wouldn't matter how many dollars you throw into the East, we couldn't sell our products in the world market.

REP. DROVDAL When I read this, it was telling me that we have a high standard of living in this country which we are very proud of. We have some of the best medicine, we have electricity at the flip of a switch, we have clean water, clean air, we have a good life here, that is why we have a strong dollar. If we pass this out and accomplish what we already know, is a fact, with a strong dollar our overseas sales are terrible, where are we going to go, after we get this all accomplished? What do you wish to happen?

REP. LEMIEUX The thought process behind the fed policy, is very long term. By having made the feds aware of what we have done to production agriculture and production America, that is the intrical part of a healthy economy. Right now, our economy is strong, based on a confident economy, but, if you look at the history of economics, when the wealth producing sector struggles, there is a long term effect, until that part of the economy drags down the balance of the economy. If you go back far enough to the teens and twenty's, when the agriculture sector was struggling furiously. The balance of the economy was phenomonal. I am really concerned that this whole economy could blow up in somebody's face.

REP. DROYDAL I too, have studied the twenty's and thirties, the underlying factor was, the farm economy was terrible, but it wasn't the economic policy that caused such devastation in the farm industry, it was actually the good Lord and the weather pattern that brought on the dirty thirties, we don't have any control of that. What are we going to accomplish when we do the studies that we already know the result of.

REP. LEMIEUX It is an indicator to the fed policy. I personally, don't feel the feds have taken into consideration what their affect of the strong U S dollar has had on production American. That is the whole thrust of what this is.

REP. CLARK Related to Lines 10 and 11, is that what you are concerned about?

REP. LEMIEUX The feds have maintained that the strong American dollar is healthy for our state and our economy and some of their policies have been the fiscal conservatism we have had, control on interest rates, inflation, etc. There have also been other things that have to do with our monetary fund, and how we helped stabilize our economy. We have done a good job of keeping our dollar high.

REP. CLARK Currency is really based on demand, supply and the value of your markets. The only way you could lower the value of the U S dollar would be to destabilize the economy. Reagan decreased it by three percent. I would be very concerned about what policy they could actually utilize to lower the demand on the dollar and still maintain a strong healthy economy.

REP. RENNERFELDT Let's look at farm commodities, in your statement, you said you don't think export enhancement can be blamed, Reagan administration put that into effect after we had the Jimmy Carter Embargos which really brought us to our knees, in the Reagan years, we had some very good markets, they did the exact thing you want them to study here.

I have heard many delegates around the country say that we don't have enough money in the United States to compete with Europe, I guess I disagree with that, we are the strongest nation in the world. I think we could drastically hurt those people, if we wanted to use export enhancement the way it was intended to be used.

REP. LEMIEUX The mood during the Bush administration, we did go through a budget reconciliation period, and we trimmed money, I hate paying someone for taking a product for less than the cost of production. We in production agriculture are sitting out here living in our microeconomic system, I produce more because it is beneficial to me, but, when we go into a world market, if I could waive my magic wand and the only product that was sold in the world market would be a nonsubsidized product by anyone, that would be fantastic.

REP. RENNER Asked what the exchange rate was ten years ago between Canada and the U. S.

REP. LEMIEUX I have been trying to get that out of my computer, I think my computer has a virus. The Canadian dollar, this past year, traded at some of the lowest it has ever been. We bought Canadian dollars somewhere around sixty two cents.

REP. CARLSON This is not a little issue, it is a great big issue. Unfortunately, when one segment of our economy does really well, another segment sometimes doesn't do very well. I understand your point of your resolution.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 2-12-01, Tape #1, Side B, Meter #551

Committee members held a lengthy discussion regarding the pros and cons of having a study.

REP. RENNERFELDT Made motion for a **DO NOT PASS**.

REP. RENNER Second the motion. **MOTION CARRIED.**

8 YES 7 NO 0 ABSENT

REP. RENNERFELDT Was given the floor assignment.

Date: 2-12-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HCR 3040

House FINANCE & TAXATION Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep. Rennerfeldt Seconded By Rep. Renner

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN	✓		NICHOLAS, EUGENE	✓	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL		✓	RENNERFELDT, EARL	✓	
CLARK, BYRON	✓		SCHMIDT, ARLO		✓
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL		✓	WINRICH, LONNY		✓
KELSH, SCOT		✓			
KROEBER, JOE		✓			
LLOYD, EDWARD		✓			

Total (Yes) 8 No 7

Absent 0

Floor Assignment Rep. Rennerfeldt

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 12, 2001 12:30 p.m.

Module No: HR-25-3044
Carrier: Rennerfeldt
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HCR 3040: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends DO NOT PASS (8 YEAS, 7 NAYS, 0 ABSENT AND NOT VOTING). HCR 3040 was placed on the Eleventh order on the calendar.