

Congressional Calendar by Barbara Dreyfuss and Susan Kokinda

Mandatory Fed membership approved.

After months of interhouse disagreements, a House-Senate conference committee has tentatively agreed to demand that large banks and savings and loan associations, mutual savings banks and other depository institutions join the Federal Reserve Board and meet reserve requirements for the first time. While the Federal Reserve Board will pay interest on reserves for the first time, as a sweetener to mandatory membership, the legislation will vastly increase the Fed's ability to control the nation's money supply.

The legislation, pushed by Federal Reserve Board chairman Paul Volcker comes in reaction to the flight of banks out of the Federal Reserve System because of the increasingly unsettled economic picture and the drain thereby placed on banks by the need to hold reserves. Volcker's response has been to unsettle the economy even more with historically high interest rates and simply demand mandatory membership of major banks.

The House passed mandatory membership legislation last fall, but the Senate, led by Republican Banking Committee members Jake Garn (Ut.) and John Tower (Tx.) and with the backing of major banking associations in the country fought that approach and urged maintenance of the voluntary membership approach. They argued that blanket requirements on large banks to join the Fed destroys the notion of dual banking; that is, banking based on an individual banks decision as to whether to become federally chartered (and place

reserves in the Fed) or to remain a state chartered institution without the benefits and responsibilities of Fed membership.

While mandatory membership supporter and Senate Banking Committee chairman William Proxmire had been unable to force mandatory membership through the Senate committee, the combination of Proxmire and House Banking Committee chairman Henry Reuss (D-Wi.) proved too much for Tower, Garn and their supporters, and the mandatory membership "compromise" was reached on March 4.

The conference committee is still working on another crucial component of the legislation—phasing out the interest-rate ceiling and the differential between commercial bank held savings and savings and loan held savings accounts, known as Regulation Q. The higher half-percentage point differential in interest rates which savings and loans have been able to grant on savings accounts has allowed them to attract the large savings base upon which the home mortgage market is based.

The House, unlike the Senate, had initially resisted phasing out Regulation Q, but recently adopted a policy of phasing it out over a 5-year period. Some form of phase-out is now certain.

Demands to cut budget crescendo

From key Democratic committee chairmen to the Republican leadership of the House of Representatives, balancing the budget has become the cure-all solution to

spiraling inflation. In response to White House counsel Lloyd Cutler's testimony on March 3 that the administration intends to cut another \$20 billion from the budget, House Ways and Means Committee chairman Al Ullman (D-Or.) reacted with skepticism. Ullman said that the current budget is "unacceptable to the American people. I question whether the administration fully understands the need for prompt action to curb inflation." House Budget Committee chairman, Robert Giamo (D-Ri) has added his voice, surprisingly, to those calling for a balanced budget this year.

Meanwhile, the entire House Republican leadership has come up with a unanimous call for the submission of a comprehensive alternative Republican budget. In a "dear Republican colleague" letter circulated on Feb. 28, the leadership said "this year, more than ever it is essential that our party be united behind one budget substitute which will restrain the growth of federal spending." Republican House members are currently in drafting sessions to come up with the specific alternative.

Shortly after circulating the "dear colleague" letter the House Republicans sent a letter to President Carter which defended the policies of the Federal Reserve Board and urged more austere measures, "by default, the entire burden of fighting inflation has fallen on the Federal Reserve and the growing tax-paying men and women of America...because you have prudently ruled out the imposition of wage and price controls, the only viable, meaningful alternative presently open to you is to

revise your fiscal year 1981 budget so it is balanced—balanced not by further increasing the already record tax burden on the economy, but by slowing the growth of non-defense spending in every area of the budget.”

Urban-based Democratic congressmen are reporting that the balanced budget tide is so strong, that they will have difficulties fighting for even basic programs which directly effect their own constituencies.

Nuclear budget early victim of budget cutting

Falling prey to the budget-cutting mania sweeping Washington, pronuclear congressmen appear to be conceding early defeat on defending front-line nuclear research and development projects in the 1981 Department of Energy budget. At hearings of the Energy Research and Production Subcommittee of the House Science and Technology Committee on March 4, ranking Republican John Wydler of New York told industry representatives that “industry can’t assume that we can hold any program intact at this point, that’s what it is coming to.”

Wydler was referring in particular to four advanced research projects which are “zero-line-items” in the 1981 budget; that is, they are not funded. The four are the Clinch River fast breeder reactor, the high temperature gas reactor, the gas cooled fast breeder reactor, and the Barnwell reprocessing plant, the termination of which Wydler singled out as “an American tragedy.” Wydler pointed out

that the administration has intentionally cut funding for these projects in the past, knowing that the Congress would put funds back in. But this year, Wydler, who has been one of the staunchest supporters of the nuclear program on Capitol Hill, said that with even further budget cuts due from the administration, “the committee does not have it in its power to save all the programs.”

Compromise reached on synfuels bill

The key bottleneck to final resolution of the congressional impasse over the creation of a synthetic fuels industry was broken on March 4 when the House-Senate Conference Committee agreed on the nature of the agency to be set up. The conferees, by a unanimous vote, decided to create a seven-member synthetic fuels corporation to finance an initial \$20 billion program to manufacture such products as oil and gas from coal, and oil from shale rock.

The corporation, which could be operational in less than a year, would have financing authority to promote synthetic fuels, including loans and loan guarantees, purchasing agreements and price agreements as well as bring the government directly into the manufacture of synfuels. After the new technologies are tested under the first 4-year phase of the \$20 billion program, the corporation could spend as much as \$68 billion to finance the actual commercialization of the technologies.

The point of difference between the Senate and the House was over

the role of the Department of Defense in the management of the program. The House bill, which was the original bill passed last summer, gave the authority to provide purchase and loan guarantees to the Defense Department, for national security reasons. The Senate version was much closer to what Carter wanted, in that it set into motion an entire new corporation with much broader financing authority. Under the compromise, the Defense Department will oversee the program until the corporation is in place. Then the DOD will shift into a “stand-by” position taking over again only in times of national emergency.

While the Conference Committee still has many details to work out, Carter has been given a boost by the action. Sen. Pete Dominici (R-NM) said “we’ve broken a big bottleneck.”

House rubberstamps vote fraud

In a straight party-line vote on March 3, the House of Representatives dismissed the election challenge of Republican Jimmy Wilson against Louisiana Rep. Claude (Buddy) Leach. House Republicans pointed out that Louisiana courts have sent over 20 people to jail in a vote buying scheme which the court itself admits could have changed the outcome of the election. Republicans demanded that the House Administration Committee continue to investigate the case against Leach. The Democrats weakly argued that Leach himself had been cleared in court of any wrongdoing.