

Congressional Closeup by Barbara Dreyfuss and Susan Kokinda

House Banking group paves way for takeovers

The House Banking Committee passed the Federal Deposit Flexibility Act, H.R. 4603, sponsored by Committee Chairman Fernand St. Germain (D-R.I.), by voice vote Oct. 6. The bill would give the Federal Deposit Insurance Corporation (FDIC) and the Federal Savings and Loan Insurance Corporation (FSLIC) "emergency" powers for approximately a year, to allow inter-industry and interstate takeovers of a banking institution when the institution is in default or "severe" financial difficulty.

The legislation is vigorously opposed by the savings and loans industry, which fears that such takeovers could lead to the dissolution of their industry. Federal Reserve Board Chairman Paul Volcker, whose disastrous high interest-rate policy is largely responsible for the crisis in the banking industry, is fully behind the bill.

Committee opponents of banking deregulation lost in their attempts to circumscribe the powers granted by the proposed legislation. Jim Mattox (D-Tex.) failed to limit the FSLIC authority to only allow intrastate mergers. Bill McCollum (R-Fla.) first lost his attempt to prohibit large commercial bank takeovers of S&Ls and then lost an effort to designate this bill as the exclusive legislation authorizing bank takeovers. McCollum wanted to limit what Volcker claims is his already existing authority to allow interstate and inter-industry takeovers under the 1956 Bank Holding Company Act.

Norman Shumway (R-Calif.)

had wanted to limit takeover authority only to those institutions already in default, instead of the vaguely defined term "serious trouble," but was defeated in this.

The bill is expected to come to a full House vote in late October or early November. The Committee is now going to move on to consider the long-term restructuring of the financial industry.

Broomfield denounces Iran atrocities

William Broomfield (R-Mich.), the ranking Republican on the House Foreign Affairs Committee, took to the floor of the House Sept. 30 to denounce the genocidal policies of Iranian dictator Ayatollah Khomeini and demanded to know why the liberal human rights groups that had denounced the Shah of Iran are not speaking out now. Broomfield placed three newspaper articles into the *Congressional Record* outlining some of the atrocities in Iran today, and then declared, "The articles set forth what has befallen Iran since the maniac Khomeini has come to power. Not only has the regime officially executed well over 1,000 people in the last two years, but now he has turned his wrath upon helpless schoolchildren, some of them only 12 years old. While we do not have accurate figures on the total number of Iranians executed, but not officially announced, the number is believed to be several thousand.

"As the Shah's sister [Ashraf] appropriately asks, where are the human rights lawyers who were so active during the Shah's reign?

Now that Khomeini is killing thousands, where are the liberals who demanded the overthrow of the Shah for incarcerating radical elements of the opposition? Is a regime that executes children somehow less reprehensible than a regime that imprisons Marxist terrorists?

"Why have we heard nothing from Amnesty International over these recent events? Anyone who has developed a sense of political, religious, and human values opposes restrictions on basic freedoms, especially when it involves the loss of our ultimate freedom—the right to live. It is, therefore, all the more vexing that the traditional human rights establishment is silent while Khomeini murders his fellow countrymen."

Armed services Chairman announces strategy hearings

Melvin Price (D-Ill.), the Chairman of the House Armed Services Committee, announced on Oct. 6 that he would convene a full set of hearings to examine the strategic posture of the United States. Price said that he would hear from the Joint Chiefs of Staff, other commanders such as the head of the Strategic Air Command, and various technical experts. Price's comments came at the opening of a hearing that featured Defense Secretary Caspar Weinberger and JCS Chairman Gen. David Jones, who testified on the President's newly announced decisions on the B-1 bomber and the MX missile.

Both Price and ranking Republican William Dickensen, (R-Ala.), expressed concern over the Presi-

dent's decision and the process by which that decision was made.

Price noted that the President's decision to deploy MX missiles in hardened Titan silos begged the question of modernization and "takes us back to the beginning." Dickensen also expressed support for the B-1 and the command, control, and communications upgrading, but did not support the MX decision. Calling for a full review of U.S. strategic posture, Dickensen said, "our enemy is no longer two feet tall, and it is ludicrous to rule out a first strike strategy for our nation."

Democrats still fumbling on interest rates

After a weekend retreat in West Virginia to discuss political and economic strategy, Senate Democrats brought the issue of high interest rates to the floor of the Senate on Oct. 6 in various feeble forays. A colloquy was led by William Proxmire (D-Wis.), and the sole Democrat to argue openly against John Melcher's (D-Mont.) resolution the previous week to bring down interest rates. Proxmire continued to lay the blame on the Reagan economic program and a free-spending Congress, rather than on the usurious policies of Federal Reserve Board Chairman Paul Volcker, and was joined by fellow Banking Committee members Alan Cranston (D-Calif.), Alan Dixon (D-Ill.), Chris Dodd (D-Conn.), Paul Sarbanes (D-Md.) and Harrison Williams (D-N.J.). The only "solution" implied from the colloquy was that the tax cut should be rolled back.

Capitol Hill sources noted that Senate Democrats could have emerged from their weekend retreat with one of two strategies—either full support for the Melcher approach to demand that the President sit down with the Federal Reserve Board and bring down interest rates, or a continuation of the "Paul Volcker protection squad" approach that blames high interest rates on the President, the deficit, or the Congress itself. The Proxmire/Cranston-led colloquy indicates the latter strategy.

Elsewhere on the interest-rate front, Sen. Lawton Chiles, along with Senators Boren (D-Okla.), Nunn (D-Ga.), Johnston (D-La.), and Pryor (D-Ark.), introduced S.J. Res. 112, a joint resolution to create a committee on interest rates and the availability of credit, which would, said Chiles, "set up a 'dual prime rate' structure, with lower rates for small business, housing and agriculture."

Besides, the obvious problem of hoping that lending institutions will voluntarily take a loss in today's cutthroat credit markets, the Chiles approach parallels the 1973 Committee on Interest and Dividends of former Fed Chairman Arthur Burns to such a degree that it would make the current Federal Reserve Board Chairman Paul Volcker its own committee chairman!

Testimony heard on abolition of ATF

The House Judiciary Subcommittee on Crime held hearings Oct. 2 to seek clarification of press reports that the Reagan administration has decided to abolish the

Bureau of Alcohol, Tobacco and Firearms (ATF) law enforcement division of the Department of the Treasury, and abolish or divide its functions among other federal agencies. Congressman Bill Hughes (D-N.J.), Chairman of the Subcommittee, elicited a statement after intense questioning of Assistant Secretary of the Treasury for Enforcement and Operations John Walker, Jr. that "no decision" by the administration on the future of ATF "has yet been made."

Hughes, however, produced an inter-departmental memo at the hearings written by Walker to the heads of the U.S. Secret Service, ATF, and U.S. Customs Service, dated Sept. 22, that directly indicated a decision on ATF. "I have designated my Deputy for Enforcement, Robert E. Powis," Walker begins his memo, "to be Chairman of the newly formed Steering Committee on the phase-out of ATF." Under questioning, Walker squirmed that that had been "an unfortunate choice of words."

Strongly opposed to the hidden budget cuts in law enforcement under the rationale of "management efficiencies," Hughes rebuked the administration, saying that such "flights of rhetoric cannot stop crime," and warned that "unless the federal government provides adequate resources to its law enforcement agencies . . . we clearly cannot hope to make progress in the battle against crime." Witnesses supporting the ATF included the American Insurance Association, the American Wine Association, anti-arson law enforcement officers, and city fire chiefs.