Congressional Closeup by Barbara Dreyfuss and Susan Kokinda

Congress says NASA cuts will hurt economy

In hearings Feb. 22 on their portion of the NASA FY 1983 budget request, members of the House Subcommittee on Space Science and Applications voiced their concern over the administration's proposed cuts. Subcommittee Chairman Ronnie Flippo (D-Ala.) declared that although he hoped the economy would revive itself, he was worried that if technology programs are now cut "we won't be in a position to take advantage of the economic recovery."

Similarly, ranking minority subcommittee member Harold Hollenbeck (R-N.J.) questioned the proposed elimination of NASA's program for an advanced-technology operational communications satellite. "These programs have tangible short-term payoffs," he stated. Hollenbeck reminded the NASA witnesses that the subcommittee had authorized $9 million in technology-transfer programs, "and now you're using it to phase out these activities."

Hollenbeck also sharply questioned whether the administration's assumption that the private sector will assume responsibility for technology transfer from NASA research was based on "speculation."

In reply, NASA witnesses Dr. Burton Edelson, associate administrator for space science and applications, and his deputy, Andrew Stofan, said that the cuts Hollenback mentioned were due to budgetary constraints and not NASA's evaluation that the programs should not be funded. The decision not to use the modified Centaur rocket for the Galileo mission to Jupiter, for example, Stofan said, was the result of "near-term budgetary problems." He stressed that NASA is preserving the options to reinstate these programs in 1984 if it is clear—as NASA thinks it will be—that government funding is necessary because the private sector cannot pick up the tab.

Rep. George Brown (D-Calif), a vocal NASA supporter, commented that all the members of the committee "understand the budgetary situation." However, he said, The cutbacks may inhibit the administration's own desires to stimulate economic development and global technology marketing." There are no indications yet whether the subcommittee will be able to add money to the NASA budget to reinstate these areas.

Polish debt hearing used for Europe-bashing

A Feb. 23 Senate Banking Committee hearing on the merits or demerits of forcing Poland to officially default on its debt, became a platform for several tirades against Western Europe. Senate Banking Committee Chairman Jake Garn (R-Utah) warned that "the Western European delusion of being able to continue to pursue a separate detente with the East while the United States foots the defense bill, cannot continue . . . with the current disunity in the Western Alliance, it is an open question as to which side has the most leverage on the current $73 billion owed by the East to the West. . . . Which bankruptcy will be shown: the bankruptcy of the Soviet system or the bankruptcy of the NATO alliance?"

Committee witnesses included State Department number-two man Lawrence Eagleburger, Treasury's Beryl Sprinkyl, and Lazard Frères's Felix Rohatyn. Rohatyn has a great deal of experience with governmental bankruptcies, having presided over New York City's. The witnesses and the committee member politely jousted over whether an official U.S. declaration of Polish default would "punish" the Poles and the Soviets more than the current state of de facto default. The administration tion spokesmen argued that under the current situation, some repayment of loans to U.S. institutions was occurring, while an official declaration of default would probably dry up that flow.

But behind the tactical disagreements, all participants agreed that credit from the West to the East must become an aspect of strategic leverage, a policy calculated to drive the United States and Western Europe further apart. Rohatyn called for western central banks to assume private bank debt to Poland at 50 percent of face value and to then assume all credit negotiations between West and East, subject to foreign policy objectives. As an alternative to central bank control of East-West loans, he further suggested licensing loans just as strategic materials exports are licensed.

Eagleburger assured Garn that the State Department was exploring "new mechanisms" for dealing with East-West credit and that he fully shared the goals of transforming credit into a strategic weapon.

Labor Committee reruns investigation of DoL

Senate Labor and Human Resources Committee Chairman Orrin Hatch (R-Utah) joined hands with Department of Labor Solicitor General Timothy Ryan in hearings Feb. 23 in an intensified investigation of the handling of pension funds by the Department of Labor (DoL). The Labor Department has been a favorite target of a rather questionable coterie of investigators over the years, who have charged that the DoL is "soft" on investigating organized crime connections to organized labor. The investigators have included Ted Kennedy's Walter Sheridan, with ties to Resorts International and Meyer Lansky, Senate Permanent Subcommittee on Investigations staffer Marty Steinberg, who has praised the Dope, Inc. colony of Hong Kong as a model of narcotics enforcement, and Hatch staffer Frank Silbey, whom sources have connected to the Israeli Mossad. Silbey, building on years-previous spadework by Sheridan and Steinberg, has resurrected an investigation of the Labor Department's handling of a case involving the Southern Nevada Culinary Worker's Union and Las Vegas casino owner Moe Schenker. The Feb. 23 and 24 hearings revolved around time-worn charges that Labor Department investigators "failed" to pursue or recommend criminal, rather than civil, litigation in this and other cases.

While observers who have followed these hearings felt caught in a summer rerun as Hatch pursued the Labor Department's handling of the investigations, one new element did arise: Solicitor General Timothy Ryan's testimony and announcement that he has ordered an internal investigation of the handling of 11 cases thus far and has discovered "allegations of serious improprieties" in DoL handling of two cases. Ryan, a former member of Carter Attorney General Benjamin Civiletti's law firm, has admitted to leaking information to PSI investigator Steinberg and has placed the DoL in full cooperation with congressional investigating committees during Labor Secretary Donovan's political paralysis as a result of the ongoing investigation of Donovan.

Hatch has promised that his investigation will continue.

Volcker 'not the problem' Ways and Means agrees

Testifying before the House Ways and Means Committee Feb. 23 on the state of the economy, Federal Reserve Board Chairman Paul Volcker found widespread rhetorical agreement from among members of Congress who agreed that pursuing a decrease in the Federal budget deficit is the single most important matter for restoring health to the U.S. economy. This Wall Street-originated line of argument was promoted by Democrats who had only months previously attacked high interest rates. Only Ways and Means Chairman Dan Rostenkowski attacked the high interest rates.

Rep. Cecil Heftel (D-Hi.), one of those who previously hit at high interest rates, this time promoted a "productivity-tax based incomes policy," and demanded that the country "go back to the drawing boards on a balanced Federal budget." Rep. Fortney Stark (D-Cal.) demanded and got an affirmative from Volcker as he insisted, "isn't stability [of interest rates], rather than rate itself—no matter how high—more important to long-term investment decisions?"

Rep. Russo established for the record that the Fed in the fall of 1979 changed its policy from one of controlling interest rates to controlling money supply, and that the result had been disaster. Rostenkoswki and his allies also tried to establish that there has been no historic relationships between federal deficits and interest rates.

In a related development, House Majority Leader Jim Wright (D-Tex.) attempted to address the problem of the Fed's usurious interest rate policies by calling for a tax on income derived from interest payments above 15 percent on any loan. Politically interesting for trying to take interest rates on, the proposal nonetheless reflects the economic policy weaknesses of the moderate Dems.

Outside of these few moderate Democrats, the only other attacks on Volcker came from the increasing politically panicked House Republicans. At the Ways and Means hearing, Rep. Bill Archer (R-Tex.) demanded of Volcker "How can we have the needed growth in the country with interest rates higher than inflation. . . . What price and what cost are we going to have to pay to wring inflation out of the economy? . . . Unemployment at 20 percent, interest rates at 30 percent. I think that would be Pyrrhic victory. One area we need to cut is the interest on our national debt."