

Congressional Closeup by Kathleen Klenetsky and Ronald Kokinda

Reagan to Congress: no deal on defense

As *EIR* went to press, the confrontation between President Reagan and the Congress over the fiscal 1987 budget was still raging, and the possibility of a government shutdown remained real.

Late in the evening of Oct. 8, both houses passed stopgap spending measures, extending the government's authority to spend money for another two days. But the President continued to threaten to close down the government, unless Congress approved higher levels for defense spending, and removed certain House-passed provisions, including one requiring the United States to continue to adhere to SALT II, from the omnibus appropriations bill that has been deadlocked for a month.

Just before leaving for the Reykjavik summit, Reagan rejected a proposal by the House Democratic leadership to delay the confrontation on the defense-related issues until sometime next spring.

"I call on the House Democrats to act on a budget now," Reagan told an Atlanta campaign rally Oct. 8. "They should act responsibly, they should stop playing politics and jeopardizing the success of our Iceland talks."

Earlier in the day, the President had sent a letter to House Majority Leader Jim Wright (D-Texas) expressing similar sentiments: "I cannot be forced by the Congress to accept language that restricts our bargaining positions at the negotiating table. We must not send a message to the Soviets that could be construed as an incentive to delay undertaking serious discussions now because of the belief that they could get a better deal from the Congress. . . ."

The following morning, as he was

leaving for Iceland, Reagan issued a statement on his hopes for the mini-summit, which he prefaced with a denunciation of Congress. "I have to say at this point that I cannot see a need for temporary extensions of the continuing resolution." Passing stopgap measures "is no way to run our government, and the American people deserve better, much better. . . . So my message to the House is, I've had enough. I will not and cannot countenance any further delay in getting our budget done. Any more procrastination can only serve to undercut our mission."

White House spokesman Larry Speakes told reporters traveling with the President that Reagan wanted the issues settled, and a budget passed, by the time he was to meet with Gorbachov Oct. 11.

House Democrats continued to resist Reagan's demands, accusing him of playing politics. Said House Speaker Tip O'Neill (D-Mass.): "I believe the President is absolutely acting political in his statements." If the government grinds to a halt, he said, the fault will be the administration's.

Richardson hopes raid will shut down LaRouche

The naked political purpose of the raid on offices associated with Lyndon H. LaRouche by federal and state authorities was endorsed by left liberal Rep. Bill Richardson (D-N.M.) on the House floor on Monday Oct. 6.

"Mr. Speaker," Richardson said, "hopefully, after this raid, we will see less of the LaRouche movement in American politics. Now that LaRouche candidates have been rejected

at the polls [sic], hopefully this raid will put this sorry movement out of business altogether." Richardson spoke shortly after the House had convened at noon, just hours after the raid commenced.

Richardson paid lip-service to "one is innocent until proven guilty," but continued: "It is my hope, however, that this incursion uncovers the LaRouche movement for what it is: A dangerous, extremist movement which preaches hate, lies, racism, and practices questionable activities."

Richardson said, as justification, that "anyone who frequents airports has often been accosted by individuals who yell such absurdities as 'Queen Elizabeth is a drug pusher,' or other inanities."

Richardson later confirmed to reporters that he was unfamiliar with any of the charges or evidence of alleged wrongdoing.

House tries to keep FCS from brink

Touted as a short-term effort to "save the Farm Credit System under," according to Rep. Ed Jones (D-Tenn.), the House passed H.R. 5635 by voice vote on Oct. 6.

The bill gives FCS banks, subject to approval of the Farm Credit Administration, the option to reduce interest rates and to write off recent massive losses over 20 years. However, other tools given to the FCS by Congress late last year to shore up the FCS by spreading the losses of the system more evenly, were largely left used.

A report to Jones by the Government Accounting Office dated Sept. 18, warned Congress that a major bailout for the FCS would be needed.

"Our projection of the System's 1986 performance based on past trends indicates that externally supplied capital could be needed by the end of 1986 or shortly thereafter, because its unallocated surplus may be nearly exhausted by year end." In 1985 the FCS lost \$2.7 billion, and \$1 billion more in the first six months of 1986. "By the end of this year total losses for 1986 are projected to be anywhere between \$1.7 and \$2.9 billion," Jones said. "In addition to these record-setting losses, the FCS also holds over \$12 billion in non-accrual and problem loans out of a total loan portfolio of about \$61 billion."

Jones admitted that the bill merely "buys time" by "permitting the use of accounting gimmicks," and "is a short-term solution aimed at relieving a potentially explosive situation until a more permanent answer can be found." "We can stand by and do nothing, and let the Farm Credit System come crashing down," he said, but rejected such suggestions.

House tries to keep FSLIC from brink

Described as legislation which "must" pass before the Congress adjourns, the House passed H.R. 5576 by voice vote on Oct. 7, to try to maintain confidence in the Federal Savings and Loan Insurance Corporation.

Rep. Toby Roth (R-Wis.) warned that "we have a disaster waiting to happen" if Congress fails to act. The week before, FSLIC chairman Ed Gray had warned Reps. St Germain (D-R.I.) and Parris (R-Va.) in a letter: "Should Congress fail to take action . . . and go home in October without having resolved the issues, depositor *percep-*

tions could be further weakened, possibly exacerbating the risk of a crisis of confidence in the thrift deposit insurance system [emphasis in original]."

The bill overrides state regulations and allows interstate acquisitions of banks that have failed, and permits FSLIC to step in on banks that are failing if they have assets over \$500 million or are among the top 10 banks within a state. In addition, \$3 billion would be contributed by the 12 Federal Home Loan District Banks which would be security to raise an additional \$15 billion in the private capital markets.

Hearings before the House Banking Committee had established that the FSLIC had less than \$3 billion in assets and potential liabilities, if it tried to resolve all its problem cases, of between \$15 and \$25 billion.

Rep. Bruce Vento (D-Minn.) who reluctantly supported the bill, said there was "deep and broad concern" in the Banking Committee over selling troubled institutions to healthy ones because it was "at best a temporary expedient," and one that would simply transfer the bad assets to the healthy institution, thereby jeopardizing it. He also warned that relying on this buy up policy would "concentrate credit-making decisions in only a few hands."

Rep. Willis Gradison (R-Ohio) opposed the bill, saying that "it gives a sense of false security and assures that future Congresses will have to revisit this issue and come up with far more money." He said that Congress should first consider whether fees from healthy S&Ls could cover losses from failing institutions, and whether S&Ls could "survive in sufficient numbers" to pay off the \$15 billion which they expected to raise by selling bonds.

Gradison argued that "the \$12 billion will be a drop in the bucket unless supervision of FSLIC insured banks is tightened."

The Senate must act on this issue before they adjourn if any legislation is to become law.

National endowment for Democracy survives

An attempt to eliminate funding for the National Endowment for Democracy was defeated in the Senate by a vote of 79 to 19 on Oct. 3.

Sponsored by Sen. Dale Bumpers (D-Ark.) as an amendment to the omnibus spending bill, the effort would have sliced \$15 million in funding which is divided between the Chamber of Commerce, the national Democratic and Republican parties, and the AFL-CIO, which receives the biggest share.

In motivating his amendment Bumpers said that the NED "essentially doles out money" to the four member groups, "and they turn around and give the money to their favorite organizations in countries all across the world." He also charged: "Some of the projects do more to undermine democracy than to promote it."

Bumpers objected to some money having gone to an organization trying to overthrow the Mitterrand government in France. But Senators Eagleton (D-Mo.), Bradley (D-N.J.), and others praised NED operations which aided the overthrow of the Marcos government, and supported continued NED funding. Most NED activities are run through the AFL-CIO and its American Institute for Free Labor Development.