Congressional Closeup by Ronald Kokinda

Move to restore investment tax credit

Several congressmen have begun to try to correct part of the disastrous tax reform act which passed the Congress last year. Reps. John Murtha (D) and Richard Schulze (R), both from the once industrialized state of Pennsylvania, have co-sponsored H.R. 936 to reestablish the Investment Tax Credit (ITC) as part of the federal tax code.

The ITC was a crucial tool of the Kennedy administration in encouraging productive industrial investments. The ITC was repealed for a brief time in 1970 during the Nixon administration, but then reinstated six months later because the deleterious effect on productive investment in the economy was so quickly recognized.

The 10% ITC was repealed outright by the 99th Congress as part of the "flat earth" package of tax code reform. The new tax code locks in the past 20 years drift into a post-industrial society by treating overhead and parasitical investments on an equal footing with productive investments.

The Schulze-Murtha bill would establish a 5% ITC for more precisely targeted productive equipment and machinery purchases in the machine-tool, computer, telecommunications, and utilities sectors of the economy.

"Repealing the ITC was the wrong direction to go in," a spokesman for Schulze's office said. By totally repealing the ITC rather than reforming it "we threw the baby out with the bathwater."

There was justified criticism of the ITC, that it was increasingly used for non-productive investments by banks, retail stores, and the service sector generally. H.R. 936 makes the investment more targeted and specifically excludes things such as building structures.

Willingness to make the productive/non-productive distinction by a moderate Democrat such as Murtha, who has an instinctual objection to the current decimation of U.S. industry, and Schulze, is an important step in debating workable economic recovery policies.

Schulze's office estimates that barring a sudden shift, the House Ways and Means Committee will not hold hearings on the proposed ITC for another six months, and would not act on it probably until early next year at best.

Budget Office suggests sinking NASA, crippling SDI

The Congressional Budget Office (CBO), an arm of the Congress, suggested major cuts in the space program and the Strategic Defense Initiative, the most crucial "science drivers" for technological innovation and productivity increases in the economy, as ways to cut the budget and save money.

The suggestions include abandoning the space station program and dropping plans to build another shuttle to replace the destroyed Challenger. Also, by stunting the growth of the SDI, CBO claims that another $7 billion could be saved over five years. "Concerns about technological balance and the pace of SDI growth could be partly addressed by slowing the rate of growth in spending," CBO suggests.

Sen. Don Riegle (D-Mich.), chairman of the Space Sciences subcommittee, was properly alarmed at such "troublesome" made-in-Moscow suggestions. Holding hearings with NASA Administrator James Fletcher on Feb. 3, Riegle said that the space station program was "long overdue." "We are already way behind the Russians," a Riegle aide said later, as he pointed out that the Soviets have had an operating manned station for some time, while the earliest the U.S. could get a station operating is 1994 or 1995 under current projections.

Reflecting strong congressional sentiment, Riegle supports having four orbiters, i.e., the shuttle replacement. Fletcher adamantly denounced a suggestion to halt replacement of the shuttle as "unthinkable."

Headed by Dr. Rudolph Penner, the CBO suggestions were made at the request of both the Senate and the House Budget committees.

The CBO also made suggested cuts in farm programs, elimination of community block grants, and cuts in Medicaid.

Clean water bill passes over Reagan veto

President Reagan was handed his first major defeat by the 100th Congress as it passed the clean water bill into law over the President's veto. The veto override, which required a two-thirds vote in the House and Senate, passed the House by 401 to 26 on Feb. 3, and the Senate by 86 to 14 a day later.

Reagan insisted, largely on the advice of White House Chief of Staff Donald Regan (according to Hill sources), upon taking a defeat on the bill, even as Democrats and Republicans alike pleaded with him to sign the bill into law. "The President could have and should have declared victory," Sen. George Mitchell (D-Mass.) said, "because a major federal program will be coming to an end."

Mitchell and others pointed out that funding for the clean water program of $18.5 billion over nine years, upon which time the program would end, was half of previous rates of funding. The administration had reached an agreement with the Congress for these cuts in funding shortly after taking office. "We kept our part of the bargain; the President did not," Mitchell said.

Rep. James Howard (D-N.J.), chairman of the House Public Works Committee, also said he regretted the fact that the veto had to be overridden at a time when the President was already weakened by the Iran-Contra arms affairs.

The bill authorizes $9.6 billion for direct grants to communities for sewage treatment plants through 1990, and $8.4 billion for revolving funds for construction thereafter.

Gonzalez attacks usury and the Federal Reserve

Democrats on the House Banking Committee have reportedly agreed to revive the Garn-St Germain act granting emergency powers to the Federal Deposit Insurance Corporation (FDIC) to arrange interstate sales of failed banks, and the Federal Savings and Loan Insurance Corporation (FSLIC) to prop up struggling and bankrupt thrift institutions through accounting manipulations.

Rep. Henry Gonzalez (D-Tex.), citing his duty to speak out, said on the House floor Jan. 27 "that the time has long been past for proper, efficacious, and effective remedies" to the banking crisis, which he said was apparent and a growing problem in the early 1960s.

Gonzalez attacked usury as the root cause of the current problems. "The advance invader has always been interest rates," he said. "The history of interest rates shows that empires have risen and fallen on the basis of interest rates. When the great rulers of Imperial Spain began to have to pay their money lenders usurious rates, that began the decline of the Spanish Empire.

"You cannot . . . flagellate or crucify a nation with a crown of usurious thorns without eventually destroying its economic well being," Gonzalez said. He pointed to the Federal Reserve, a non-elected body, making decisions that "will determine what kind of standard of living" we will have, as a power for private interests.

"It remains to be seen whether we revert to our savagery or whether we become the promised image of the Creator himself who has very different lessons and injunctions given us."

New threats of defense funding cut-off

The arms-control mafia is increasingly using the threat of cutting off funding to give the arms-control agenda priority over U.S. security interests.

Led by House Democratic Caucus Chairman and presidential aspirant Rep. Richard Gephardt (Mo.), Rep. Pat Schroeder (D-Colo.), and others, the Caucus on Feb. 4 called for a cutoff of funds for further nuclear testing, and urged House committees to "take whatever action may be necessary" to block funds for nuclear tests as long as the Soviet Union refrains from testing.

The arms-control crowd in the House was taken by surprise to learn of the latest nuclear test in Nevada, two days earlier than scheduled. Gephardt said he was outraged to learn of the test and claimed that "to begin a new round of tests only helps the Soviet Union."

Liberal Republican Bill Green (N.Y.) made the unilateral disarmament aspect of a halt in testing even more clear. "It is up to us to negotiate for the administration by eliminating funds for nuclear tests," Green said.

Rep. Norm Dicks (D-Wash.), however, wins the Lenin Prize for sending a letter to President Reagan on Jan. 30, threatening that Congress would react to a decision for early deployment of the Strategic Defense Initiative by cutting funding for the program.

Reps. Dante Fascell (D-Fla.) and William Broomfield (R-Mich.), the chairman and ranking member of the House Foreign Affairs Committee, also wrote the president on Feb. 3 urging no decision on phased deployments of the SDI without consultation with Congress.

In the Senate, the gang of four, Sens. Dale Bumpers (D-Ark.), Patrick Leahy (D-Vt.), John Chafee (R-R.I.), and John Heinz (R-Pa.) introduced legislation Jan. 29 which would compel the United States to stay within the limits of the unratified SALT II treaty. In December, 57 Senators signed a letter to Reagan urging him to reverse his decision to break with SALT II, and the four Senators say the Senate will pass the measure, although they are uncertain whether they could override a presidential veto.