

Congressional Closeup by William Jones

Committee wants Social Security 'off budget'

On Feb. 27, the House Ways and Means Committee endorsed the proposal of Sen. Daniel Moynihan (D-N.Y.) to remove the Social Security trust fund from calculations used to determine the size of the federal budget deficit.

The Moynihan proposal, which would create enormous difficulties for the budget-balancing act of the Bush administration, was officially shunned by leading Democrats, who were afraid the move could backfire significantly in this, a congressional election year. The growing surplus of the Social Security fund has been used to offset the federal deficit. If it were removed from the calculations, the deficit this year would be some \$74 billion larger, and would encourage a new round of severe spending cuts.

The endorsement of the Ways and Means Committee is the first official congressional support for the Moynihan proposal. Voice-vote approval of the motion, submitted by Rep. Byron Dorgan (D-N.D.), occurred over the objections of many of the committee's Republicans and chairman Dan Rostenkowski (D-Ill.). Dorgan has also collected 100 co-sponsors on separate legislation to remove the trust fund from the deficit calculations.

Greenspan flip-flops on economic prognosis

Within two days, Federal Reserve chairman Alan Greenspan did a 180-degree turn in his analysis of the U.S. economic situation.

In testimony before the House Banking Committee on Feb. 20, Greenspan pointed to inflation as the biggest danger to the U.S. economy,

saying that "the risks of acceleration from here are larger than we should be willing to tolerate." Three days later, in testimony before the Senate Banking Committee, Greenspan claimed that "there is no evidence that inflation is accelerating," and predicted that it might even drop.

Greenspan's latest remarks indicate rising concern over the crumbling financial picture and the negative domestic effects of higher interest rates. In the aftermath of the Drexel Burnham Lambert blowout, the Fed and the Treasury have been pumping in credit and cash in an effort to prevent a chain reaction. With rising rates in West Germany and Japan, Greenspan noted, it will be difficult to keep the spigot open in the United States without forcing a massive flight from the dollar.

CIA refuses to testify on involvement in S&Ls

The CIA brusquely refused to testify before a congressional committee investigating the Agency's involvement in certain S&L bankruptcies with connections to the channeling of money to the Nicaraguan Contras. In a letter written on Feb. 14 to Rep. Frank Annunzio (D-Ill.), chairman of the House Subcommittee on Financial Institutions, the CIA said it was not "appropriate" for Director of Central Intelligence William Webster or other agency officials to appear before the subcommittee to discuss the allegations.

The letter, signed by the CIA's Director of Congressional Relations, said that, "as a matter of principle, we do not believe it appropriate to dignify with formal congressional testimony scurrilous and unsubstantiated allegations such as those made by the *Houston Post*."

The allegations, first documented in a series of articles in the *Houston Post*, reported that the prosecutor's office was investigating Robert Corson, an S&L executive who had CIA ties, and that a related investigation in Kansas was blocked by the CIA in the mid-1980s. Garrett said that the accusations are being raised by Richard Brenneke, a key figure in the Iran-Contra affair, who has been hung out to dry by the Agency, and that Brenneke's statements were not considered reliable.

Pell leads Dems against German unity

Senate Foreign Relations Committee chairman Claiborne Pell (D-R.I.) is leading a pack of Senate Democrats in attacking West German Chancellor Helmut Kohl for allegedly balking on the issue of the German borders with Poland in a reunified Germany. Appalled at the quick pace of developments toward German reunification, a development which would jeopardize the power of the U.S. Establishment of which the Senator is a member, Pell and his colleagues are raising the red herring about the German-Polish borders in an attempt to slow the pace of developments in Europe.

Chancellor Kohl, in Washington on Feb. 25 for a hastily called summit with President Bush, said that "nobody has any intentions of linking the question of national unity with changes of existing borders," but further indicated that only the parliament of a united and sovereign Germany could make a definitive statement recognizing the borders. As the present borders were established without any involvement of a duly elected German government, the issue of recognizing those borders would be constitutional-

ly in the hands of a duly elected government in East Germany or a duly elected government of a united Germany.

On Feb. 27 at a White House meeting, Pell told Bush that Kohl's alleged refusal to declare that a unified Germany would respect the inviolability of its border with Poland should be a matter of great concern to the United States. Senate Armed Services Committee chairman Sam Nunn (D-Ga.) said that he was "personally disappointed" that Kohl had not "put to rest" the border issue.

Dole withdraws Armenian resolution

Under pressure from the White House and not-so subtle threats by the Turkish government to withdraw from the Turkish-U.S. defense agreement, Sen. Robert Dole (R-Kan.) withdrew on Feb. 27 his resolution designating April 24 as a national day of remembrance for the "Armenian genocide of 1915-1923."

This occurred after the Senate refused for a second time to break a filibuster, led by Sen. Robert Byrd (D-W.Va.), against the measure. The Dole resolution set off an uproar in Turkey, and the Turkish ambassador to the United States, Nuzhet Kandemir, warned that passage of the resolution would be regarded as "an unwarranted and deeply offensive insult."

During the course of the debate, Dole had started out with 61 co-sponsors, enough to force closure on any filibuster. But concern over Turkey's reaction—conveyed in part by defense contractors that do business in Turkey, as well as in certain Senators' home states—gradually eroded support for Dole's resolution. The initial vote on Feb. 21 was 49 to 49, leaving

Dole 11 votes short of the 60 he needs, and this was whittled down during the course of the week. Dole said he would explore other possibilities, including an initiative in the House.

Insurance industry could follow S&Ls

A report issued by the Oversight and Investigations Subcommittee of the House Energy and Commerce Committee warned that the insurance industry could face a solvency crisis rivaling that of the savings and loan institutions, if state regulators don't get tougher.

The subcommittee studied the failures of four insurance companies, including the three biggest to date, and found what it charged was fraud reminiscent of some of the more spectacular S&L failures, the report said. Among the problems cited were reckless management, fraudulent activity, self-dealing, and greed, reported the *Wall Street Journal* on Feb. 26.

Baucus prepares Jap-bashing bill

In the wake of an impasse at trade talks in February between the U.S. and Japan, Sen. Max Baucus (D-Mt.), chairman of the Finance Subcommittee on International Trade, said on Feb. 26 that the talks were "deadlocked on all fronts," and that he was drafting legislation directing the administration to retaliate against Japan if it does not open its markets to U.S. exports of forest products, supercomputers, and satellites by June 17.

Spokesmen for the U.S. wood products industry insist that after five rounds of talks since last June, Japan has made virtually no concessions.

Baucus claimed that the barriers to forest products alone was costing the U.S. \$1-2 billion in lost exports each year. Baucus is also drafting another bill to mandate retaliation if no progress is made in the current Structural Impediments Initiative talks, which target anti-competitive Japanese practices. The U.S. Semiconductor Industry Association is pushing another bill targeting nations for retaliation for violating bilateral trade agreements, such as one that promised the U.S. a larger share of the Japanese semiconductor market.

CIA chief says Soviets not a threat

On March 1, CIA head William Webster assured the House Armed Services Committee that the Soviets were no longer a threat to the U.S. While mooted the possibility of a forcible removal of Gorbachov by hard-liners and a possible return to Stalinist-style government, Webster insisted that such a regime "would have little incentive to engage in major confrontations with the United States," and "would be unlikely to indulge in a major military buildup."

Webster's testimony, approved by Secretary of State James A. Baker III, according to sources, contradicted testimony given the same day to a different committee by Defense Secretary Richard Cheney, who warned that a possible reversal of Soviet liberalization could lead to a resurgent Soviet military.

Committee Chairman Rep. Les Aspin (D-Wisc.), overjoyed at the Webster testimony, characterized it as "ground-breaking," and said that Webster was almost saying the United States was in "a win-win situation" with regard to the Soviets.