

Congressional Closeup by William Jones

Seidman tries to lessen thrift costs

In a growing economic nightmare for federal regulatory institutions as the decline in real estate values throws more thrift institutions into the red, Federal Deposit Insurance Corp. chairman L. William Seidman, in testimony before the Senate Banking Committee on Sept. 10, suggested that it might be cheaper to let the thrifts continue operating under close government supervision "until the real estate market improves."

The FDIC chairman is trying to steer a course between the Scylla of allowing the ailing thrifts to continue functioning and the Charybdis of selling their assets and flooding the faltering real estate market with additional worthless real estate. "The more we can avoid forcing more real estate into the public sector at this time, the better off we would be," he said.

Congressmen are uneasy about the direction things are taking. "The drop in real estate prices has added a whole new dimension to this problem," said Sen. Donald Riegle (D-Mich.), chairman of the Senate Banking Committee. "The severity of the losses is going beyond what anybody had imagined."

Timothy Ryan, director of the Office of Thrift Supervision, admitted to *EIR* that this is a process "which we have no control over whatsoever." However, there is concern that allowing the thrifts to remain open would erode the tougher capital requirements imposed by the S&L cleanup law, which was designed to resolve the crisis.

In the midst of the hearings, another shock wave swept the Congress as the General Accounting Office announced on Sept. 11 that the FDIC

was "in precarious condition" (see article, page 21).

Senator Riegle said that the weak economy, falling real estate prices, the collapse of the junk bond market, and sliding stock prices compound the FDIC's problems. "Taken together, there is a picture of great economic and fiscal stress," said Riegle.

DeConcini: Strong-arm allies on Gulf venture

In an amendment to a spending bill for the Postal Service, Treasury Department, and other government agencies passed by the Senate on Sept. 10, the Senate approved a resolution submitted by Sen. Dennis DeConcini (D-Ariz.) calling on the President to take "the diplomatic initiative to encourage other nations to share the international financial burden of the defense of Saudi Arabia" and to ensure that those allies who are not involved militarily in the Gulf action assume "an appropriate financial share of the collective defense commensurate with their national means."

The resolution is an attempt to get the Germans, the Japanese, and the French, to foot a greater portion of the bill for the Anglo-American Gulf venture.

In a vicious attack against the West Germans and the Japanese, DeConcini noted that, although both nations are prohibited by their Constitutions to send troops abroad, "these constraints do not mean that these countries cannot contribute in substantial ways to the international effort." DeConcini made a particular swipe at the Japanese. "Japan had difficulty even sending 800 four-wheel-drive vehicles for troop transport use

in Saudi Arabia because its merchant marine was hesitant about sending a ship into the region. It took nearly a week for the vehicles to be shipped." "There does not seem to be this same hesitation, however, when four-wheel-drive vehicles are sent to U.S. ports for sale in this country. . . . Other countries must also sacrifice."

Budget negotiations muddle along

Changing venue for the budget summit did not seem to help much in creating a consensus between the White House and the Congress as to how they will proceed to whittle some \$50 billion out of the federal budget. Negotiators continued their discussions in closed-door talks on Sunday Nov. 9, in a converted bar at Andrews Air Force Base.

According to congressional and administration aides, progress toward a deficit-reduction compromise has been excruciatingly slow. Democrats have been calling for increasing the top nominal income tax rate to 35% from the current 28%, and for an additional 10% surcharge on taxpayers earning more than \$500,000 a year.

Republicans insist that no income tax increases are acceptable, and want draconian cuts in domestic programs and indirect taxes to reduce the budget deficit. The two sides have inched closer on certain issues, but remain billions of dollars apart on how deeply to cut the defense budget and on the nature and size of the cuts in domestic spending.

During their meeting at Andrews, they were approaching a consensus to slash spending on federal benefit programs, such as Medicare and govern-

ment employee pensions, by between \$10-11 billion.

Energy taxes are an option which both sides seem to be considering, despite the tremendous increases in the price of oil and gasoline caused by the Gulf crisis. The Democrats want a new tax on luxury goods of 10% of the purchase price in excess of \$25,000 for autos, \$1,000 for electronics, \$5,000 for jewelry and \$500 for furs. They also want to double the federal tax on beer and wine over five years.

President Bush used the occasion of his speech to the joint session of Congress on Sept. 11, in which he hyped his Gulf deployment, to threaten the Congress that they must come to an agreement soon or he would use his luster as the Rough Rider of the Arabian sands to bludgeon them into an agreement. Bush proposed that the negotiators come to an agreement on a five-year, \$500 billion deficit-reduction package.

If no agreement is reached by Oct. 1, barring any legislative action changing the Gramm-Rudman budget deficit law, across-the-board spending cuts mandated by Gramm-Rudman would be automatically triggered, taking the decisions out of everybody's hands. But Washington observers believe that some kind of an agreement will be reached to prevent that from happening.

Gonzalez will call for troops to come home

In an interview published on Sept. 9 in the *San Antonio Express News*, Rep. Henry B. Gonzalez (D-Tex.) said that he is preparing a resolution calling for President Bush to pull the troops out

of Saudi Arabia. Sending troops and military equipment to Saudi Arabia are "acts of war," he said. "Why is he making war when Congress has not declared war?"

Gonzalez blasted Speaker of the House Thomas Foley (D-Wash.) and Senate Majority Leader George Mitchell (D-Me.) for "abandonment of duty as the loyal opposition" for their strong support of the President. "Does anyone think I want my constituents to die for Exxon oil?"

When asked about former Attorney General Ramsey Clark's call, published in the Aug. 24 *Los Angeles Times* for immediate withdrawal of troops, Gonzalez said he agrees with Clark and will "do something about it by introducing a resolution calling on the President to pull the troops out of Saudi Arabia."

The interview ended with a question about whether he would consider introducing a resolution for Bush's impeachment. Gonzalez responded: "I am thinking about it. First I want to see what happens to my resolution to pull the troops out."

Traxler: U.S. should not be 'cop of the world'

The United States should not have sent troops to the Middle East, and should stop playing "cop of the world," says Rep. Bob Traxler (D-Mich.), according to a report that appeared in the *Flint Journal* on Sept. 10.

"I don't think it's in our best interest," he said, during the Michigan Democratic Party's convention in Flint. "We ought not to be the cop of the world."

"But I also will do everything I

can to bring them home," he said, especially when Congress is called on to vote on the conflict.

"Clearly the reason we are there is because of international oil. A barrel of oil is not worth an American life."

Faced with a staggering budget deficit, the United States should stay out of regional conflicts, Traxler said.

"I don't want us to be bled economically white to be the cop of the world," he said. "We can no longer afford it."

He said he is aware his anti-military position is not popular, but said he doesn't think he is alone. "There are many people who are questioning our reasons for being in the Middle East," he said.

Popular support for Gulf policy is waning

The aura of unity which first greeted the show of American force in the Gulf is beginning to be replaced by concern and opposition to the debacle. Despite polls showing that the majority of Americans support the Bush administration's deployment of troops to Saudi Arabia, there are plenty of indications emerging that this support could evaporate overnight.

Rep. Les AuCoin (D-Ore.) reported that in his Portland district, calls to his office have been running 36 to 1 against military involvement, since the third week in August.

Sen. Tom Daschle (D-S.D.), co-chairman of the Senate Democratic Policy Committee, said his home state of South Dakota was sending him "a lot of mixed signals. The farther you get from the initial response, the greater the uncertainty about the reason for our being there."