

How to legislate an economic depression

In the six weeks since Federal Reserve chairman Paul Volcker's high interest rate policy began drying up vital credit for U.S. industry, the U.S. Congress has moved rapidly to pass legislation that will complement the devastating effect of Volcker's measures on the economy. The legislation relates to bank restructuring, corporate reorganization and control over energy supplies. The combined effect of these bills is to give the federal government enormous control over private industry and banking, and ensure the dismantling of U.S. high technology, growth industries.

While much of the legislation had been introduced much earlier in the Congress, the Volcker moves and the crisis in Iran have spurred fast Congressional action. Any further intensification of the financial and energy crises will ensure quick passage of bills that are already partway through Congress. This legislation is part and parcel of the policy that lies behind Volcker's measures, the "controlled disintegration" of the economy.

Banking reorganization

Perhaps the single most important piece of legislation voted on after Volcker's announcement was the Federal Depository Institutions Act, voted up by the Senate Oct. 31. The bill as amended, is a green light for U.S. banking institutions to run up interest rates.

The bill phases out, over ten years, Regulation Q, a provision that sets ceilings on interest rates paid by savings and loan institutions and commercial banks. The regulation had allowed savings and loan institutions a quarter point differential to allow them to attract depositors. The ceiling established by Regulation Q has also maintained stability in the banking sector.

Senator Morgan (D-NC) who opposed abolishing Regulation Q charged that the bill should really be called the "Federal Depository Institutions Abolition Act" because it would ensure the disappearance of

How the Congress acted

Here's a gridding by day of legislation concerning banking, corporate reorganization, and energy which were submitted and/or acted on by the U.S. Senate and House of Representatives. (Bullet indicates Senate action.)

October 6

Volcker announces new Federal Reserve policy.

October 9

• S. 932, Energy Security Act is marked up in Senate Energy Ctte.; • Senate Banking Ctte. begins informational hearings on Chrysler; H.R. 5045, to amend the Energy Policy and Conservation Act, continues hearings in House Interstate and Foreign Commerce Ctte.

October 16

• H.R. 4930, Interior Department Appropriation, Senate accepts amendment adding \$20 billion for synthetic fuels development.

October 17

• S. 1030, Emergency Energy Conservation Act of

1979. Conference report passes Senate and is sent to House for final passage; S. 832, amendments to Federal Election Campaign Act. House votes to put restrictions on corporate Political Action Committee contributions to candidates.

October 23

• H.R. 4986, Federal Depository Institutes Act, is brought up on Senate floor for debate; House votes to give administration standby authority to ration gasoline; S. 1030, Emergency Energy Conservation Act, passes House, sent to President.

October 24

• S. 932, Energy Security Act, passes the Senate Energy Ctte.; H.J.R. 430, for low-income energy assistance passes House Appropriations Ctte.; • S. 1937, Chrysler loan guarantee, is introduced by Sen. Riegle.

October 25

• H.R. 3919, Windfall Profits Tax, passes Senate Finance Ctte.; H.J.R. 430, for low-income energy assistance, passes the House.

October 29

• H.R. 4986, Depository Institutions Act. Senate

savings and loan institutions, which are major suppliers of mortgage money.

The Senate also amended the bill to repeal the usury laws of 17 states for business and farm loans. This amendment to allow sky high interest rates was introduced by Mississippi Republican Senator Thad Cochran, a vocal supporter of Presidential hopeful John Connally. A number of Senators tried to justify the vote on this amendment by claiming that high interest rates were the only way that local banks could meet the Fed's requirements and still lend. The House has not passed these changes in the Act and a conference committee will not determine whether it actually becomes law.

Coupled with the banking reorganization program, House banking committee chairman Henry Reuss (D-Wis) and his Senate counterpart William Proxmire (D-Wis) are trying to force every U.S. bank under Federal Reserve chairman Volcker's control. Reuss has already succeeded this session in forcing through the House legislation requiring every bank to submit to mandatory reserve requirements dictated by the Federal Reserve, whether or not they are a member bank. Proxmire tried to get the same bill through the Senate Banking Committee Nov. 7 but was defeated. Reuss and Proxmire

then tried to slip what amounts to a de facto mandatory Fed membership provision in through the back door by considering it as part of the Depository Institutions Deregulatory Act in the conference Committee. The House has refused to allow this so far.

Chrysler bailout: industry takeover precedent

The Carter administration is also using industries' desperate need for credit to begin a rationalization of U.S. high technology sectors, the most blatant example being the nature of the proposal to bail out the Chrysler Corporation. The plans for a Chrysler reorganization under government control would set a precedent for U.S. corporate restructuring along the lines of rationalized German industry under Nazi economic czar Hjalmar Schacht.

On Nov. 1 the administration sent Congress a proposal to guarantee a \$1.5 billion loan program for Chrysler, if the company raised a similar amount of money itself. The administration demands that the Secretary of the Treasury oversee any plans that Chrysler has to raise the funds, in effect putting the Treasury Secretary in charge of Chrysler Corporation.

votes to lift usury ceilings in a dozen states; • S. 1905, Milwaukee Railroad Relief Bill, passes Senate Commerce Ctte.

October 30

• S. 1905, Milwaukee Railroad Relief Bill, passes Senate; H.R. 4985, Priority Energy Project Act goes to House floor; • S. 1725, energy grants to low-income families, passes Senate Labor and Human Resources Ctte.; • S. 1871, International Energy Agency Authorization Bill, Senate votes for Johnston amendment on presidential import quota and tax powers.

October 31

• H.R. 4986, Depository Institutions Act, Morgan killer amendment defeated.

November 1

Administration announces Chrysler aid package; H.R. 4985, Priority Energy Project Act, passes House; • H.R. 4986, Depository Institutes Act, passes Senate.

November 5

• S. 932, Energy Security Act, is brought up on Senate floor.

November 7

• S. 85, Federal Reserve Board Membership Bill. Proxmire defeated in attempt to pass mandatory membership bill through committee; House votes to go to conference on H.R. 4986, but not S. 85.

November 8

• S. 932, Energy Security Act, passes Senate; H.R. 5805, aid to Chrysler, passes House Banking Subcommittee on Economic Stabilization.

November 13

H.R. 5037, Federal Reserve Act Amendments, House passes bill changing term of Federal Reserve chairman to coincide with presidential term.

November 14

H.R. 2063, National Economic Development and Public Works Act. House votes for legislation establishing a National Economic Development Bank; • S. 1937, loan guarantees to Chrysler, Senate Banking Committee begins mark-up.

November 15

• H.R. 3919, Windfall Profits Tax. Senate begins floor debate.

In testimony before the House Banking Committee Nov. 7, Miller declared that the corporation should raise the money from "asset dispositions" (i.e. asset stripping of the more advanced sections of the production line) and from union pension and stock buying plans.

On Nov. 13 the House Banking Committee voted up an even more extreme Chrysler bailout scheme. The House Committee adopted amendments by committee chairman Reuss (D-Wis) that would only authorize the loan guarantees if Chrysler produced fuel efficient products that "lessened out dependence on OPEC." It would be up to the Treasury Secretary to determine what was energy efficient.

At the same time, Reuss proposed that other companies receive loan guarantees if they take over the facilities of a Chrysler plant, thus ensuring the asset stripping of Chrysler that Miller called for. "It has already been envisioned that Chrysler will sell some of its assets to meet the \$1.5 billion and this provides for their takeover," declared a Committee staff member.

Another amendment to the aid program was adopted by the committee, mandating a 10 million share employee stock ownership fund. The cost to union funds or workers savings would be about \$500 per worker over four years.

Both the Senate and House plan to have the Chrysler aid package on the floor by the first week of December.

Similarly, in the last several weeks the Congress voted up a temporary multimillion dollar bailout of the Milwaukee Railroad, pending a hearing by the Interstate Commerce Commission which will write a proposal for selling substantial parts of the railroad to shippers and employees, while restructuring the rail lines.

Expand 'Economic Development Administration'

While the Chrysler bill is the precedent for dismantling of major U.S. corporations, funding has already been authorized for the relocation of industry under administration direction. On Nov. 14 the House passed the National Economic Development and Public Works Act, which provides for massive increase in funding of the Economic Development Administration. The House authorized over \$6.3 billion in loans, and loan guarantees for companies that relocate to urban or rural depressed areas. This is a massive expansion of the relocation funding: in 1979 only \$200 million was authorized and only \$21 million spent by the Economic Development Administration.

The bill also plans for a major public works program. It allocates \$2 billion for public works if unemployment goes beyond 6.5 percent, a sure bet under the Volcker credit policy.

Energy austerity authorized

President Carter's decision to curtail imports of Iranian oil and administration warnings that there will be further cuts in OPEC production spurred the Senate to move quickly on legislation that provides \$88 billion (over ten years) in loan guarantees to develop synthetic fuels plants. Numerous Senators declared that although they had not originally planned to support such large funding, Middle East oil instabilities scared them into backing the bill, which passed the Senate Nov. 8. The bill now has to be worked out with the House version which provides only a few billion dollars in funding.

At the same time the Congress has moved rapidly on the Energy Mobilization Board, which gives a government board the power to override environmental protection laws, civil rights law, and other legalities that delay speedy construction of synthetic fuels plants. As detailed in this publication, synthetic fuels plants would drastically drive up energy prices to \$40 or more per barrel of oil and force drastic consumption cutbacks. At the same time, these federal loan guarantees would provide needed bailouts for selected companies.

Energy austerity powers already law

The administration already has the authority to oversee an energy austerity policy. Under the Trade Expansion Act the President can impose fees or quotas on imported oil. In late October both the House and Senate gave the President authority to impose gasoline rationing programs provided there is a 20 percent energy shortfall and Congressional approval of the specific plan.

The Senate Energy Committee attempted to limit the president's ability to impose quotas and fees in late October, by requiring prior Congressional approval. However, there was major opposition from the administration. Deputy Energy Secretary John Sawhill met with Senator Bennett Johnston (D-La) whose subcommittee has jurisdiction over the bill and demanded that this legislation be stopped. Johnston agreed to a bill which was then endorsed by the full Senate, reaffirming the President's authority to impose quotas and fees without prior Congressional approval. However the bill does allow Congress to kill the President's actions after the fact. "This is recognition and vindication of the President's authority," declared Johnston, after he endorsed the administration's proposal.

In fact the entire array of legislation that has been fast-tracked over the past six weeks would place the entire U.S. economy under the fingertip control of largely appointed officials who have demonstrated their determination to oversee its demise.

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