

Congressional Closeup by Barbara Dreyfuss and Susan Kokinda

Reuss supports IMF position on Ottawa

Joint Economic Committee Chairman Henry Reuss (D-Wis.) urged the administration to adopt the International Monetary Fund position at the Ottawa summit, during committee hearings July 15. Reuss told Meyer Rashish, Undersecretary of State for Economic Affairs, that the Europeans would probably tell President Reagan, "We are glad that you are pursuing tight control of your money supply, but when you combine that with huge budget deficits resulting from enormous increases in military spending and a large tax cut, the deficit overwhelms the savings coming from other budget cuts. This deficit drives up interest rates, so wouldn't it be better to cut into military spending and the size of the tax cut so as to reduce interest rate pressures?"

At the time Reuss was calling for this program, the word was around Washington that the IMF's annual surveillance report on the U.S. economy contained similar recommendations on cutting military spending.

Reuss is endeavoring to present himself as "spokesman for the Europeans" while he pushes IMF dictatorship over the United States. On July 16, Reuss and nine other Democrats on the Joint Economic Committee released a letter calling on the administration to respond positively to European demands that something be done about high interest rates; the letter was not specific.

But Reuss, in the July 15 hearings, made clear what he meant. "The first time the Europeans brought this up, they were clumsy. Now they know that they cannot change monetary policy and hope instead to change the mix of monetary and fiscal policy and urge a lower deficit through cuts in defense spending and the size of the tax cut."

On June 26, the JEC released a report entitled "Monetary Policy, Selective Credit Policy and Industrial Policy in France, Britain, West Germany, and Sweden." At first glance, a critique of high interest-rate "Thatcherite" policies, the study has a deeper motivation, as revealed in Reuss's introduction, which reports favorably that "all four [countries] faced problems of short-run crisis management, and all experienced the need for long-run structural adjustment to restore the competitiveness and profitability of industry, particularly in export markets, while rationalizing production and shifting away from such traditional components of the modern industrial base as shipbuilding and steel. Each country, in the end, relied on its system of credit and finance in making these shifts."

House passes aid to drug enforcement

By a vote of 248 to 148, the House of Representatives July 15 adopted an amended version of legislation which will allow the U.S. military to assist in certain drug enforcement efforts.

Originally sponsored by Rep. Charles Bennett (D-Fla.), the legislation, now a part of the fiscal 1982 Defense Department authorization (H.R. 3982), changes so-called posse comitatus provisions of existing law which have prevented the military from engaging in any civilian law enforcement.

Supporters of the change have argued that military assistance to drug enforcement, in the form of information and equipment—for example, radar tracking of illegal drug flights—and manpower can make a critical difference in the fight against the influx of illegal narcotics.

After going through several permutations, the House version now stands as follows: The military may assist civilian authorities involved in drugs, immigration, or customs matters with operations and maintenance of equipment outside the land area of the United States (with the exception of radar facilities which can be used within the land area of the United States), and, at the request of federal drug enforcement authorities, may assist in seizures and arrests (again, only outside the land area of the United States).

The Senate has passed a less comprehensive version of the amendment, and differences must be resolved within the conference committee.

Opponents of the measure variously charged that it would open the door to militarization of the United States, or that it would create an inflammatory situation on the Mexican border.

Senator prods Reagan on guest worker program

New Mexico Republican Senator Harrison Schmitt took the floor of the Senate on July 9 to urge President Reagan to maintain his commitment to a "guest worker program" for Mexican workers. Reagan, during his campaign, and in the early days of his administration, indicated that he would implement an "open border" policy toward Mexico which would allow Mexicans to enter the U.S. as temporary "guest" workers.

On Jan. 5, 1981, Schmitt and other Western senators such as Paul Laxalt (R-Nev.) and Barry Goldwater (R-Ariz.) introduced S. 47, the United States-Mexico Good Neighbor Act, which would establish such a program.

Schmitt made his floor statement after several cabinet meetings apparently failed to resolve an administration approach on immigration and guest worker questions, but which seemed to imply a weakening of the President's original commitment. In his statement, Schmitt said, "While the administration is favorably disposed toward creation of a temporary worker program, there are recent indications that the proposal will be for a very, very small program of around 50,000 persons. In my opinion, such a program would be too small to be of any value and would be overwhelmed by the continuation of illegal migration."

While Schmitt was joined on the floor by Senators Goldwater and Hayakawa (R-Calif.), he faced

opposition from another senator, Alan Simpson (R-Wyo.), who chairs the Judiciary Committee's Subcommittee on Immigration and who agrees with the "sealed border" approach of the Hesburgh Commission.

House members warn of economic crisis

No less than five members of the House Committee on Banking, Finance, and Urban Affairs warned in the strongest terms July 14 that the United States faces the possibility of "massive" financial failures over the coming months that could threaten the "integrity of the entire financial system."

Committee members, many pointing an accusing finger at the Federal Reserve Board and its chairman Paul Volcker, heard Federal Home Loan Bank Board Chairman Richard Pratt acknowledge that fully one-third of the nation's 4,700 savings and loan institutions are "not viable under today's conditions" of usurious high interest rates.

"It's not an economic Dunkirk we face," Rep. Henry Gonzalez (D-Tex.) stated, "but an economic Waterloo. I believe," Gonzalez continued, "that Chairman Volcker is quite eligible for impeachment. Unless we invoke an emergency and consider these forces [interest rates] as controllable by the sovereign government rather than as an act of God," we cannot stem the economic slide.

Representative Frank Annunzio (D-Ill.) agreed with Gonzalez

and said that "President Reagan has my complete sympathy in inheriting the problem of Volcker. People keep saying that the Federal Reserve is an independent agency—that's hogwash!" Annunzio exclaimed. "This situation is a lot more serious than people think and if it's not turned around we're going to be talking about David 'Herbert Hoover' Stockman."

Representative James Blanchard (D-Mich.) pointed to the run on several institutions "going on in my state right now." "It wouldn't take too many failures in too many states," he told a witness, "to destroy the integrity of the entire financial system. Many members of this committee have been concerned for some time that there could be widespread failures. Some are saying we are sitting on a ticking time-bomb."

Republican Gregory Carman (N.Y.), deriding legislation that would allow interstate and inter-industry mergers to bail out failing financial institutions, told witnesses that he didn't "see how these problems will be solved with your proposals.

"Financial ill-winds are blowing hard right now and by January they'll be blowing at gale force."

Fellow Republican Norman Shumway (Calif.) similarly ridiculed proponents of regulatory changes: "If there was a massive financial institution failure and the FDIC [Federal Deposit Insurance Corporation] was called upon to bail out all the individual depositors, aren't you putting your neck further in the noose?"