The revolt against Volcker: will Congress talk, or act?

by Richard Cohen, Washington Bureau Chief

A deep political crisis has shaken the nation's capital as Congress returned. The U.S. Congress—after one month in their home districts—have once again descended upon Capitol Hill, and with their return has come a shocking message to official Washington and all its elected officials. Echoing the deep and nationwide constituent demand that they were deluged with back home, congressmen and senators, Republicans and Democrats, have issued a barrage at "Wall Street," President Reagan, and the Federal Reserve Board, begging for an immediate drop in interest rates.

On the one hand, opponents of high interest rates are still flailing, without a clear economic policy or legislative strategy. On the other hand, those congressmen who want to use the cry against the Federal Reserve as a wedge for further budget cuts—on the disingenuous premise that if rates come down, the budget must be further slashed to avert inflation—have not solidified themselves either, and there is a sense at the Federal Reserve itself that it will be very hard indeed to push through all the proposed cuts (see Economics).

The fact remains that the Federal Reserve's policies have been pushed to the center of national debate in a dramatic and fundamental shift. Representative Guy Vander Jagt of Michigan, the most crucial figure in the House responsible for Republican election campaigns, zeroed in on the immediate implications of continued high interest rates, reporting Sept. 9, "The future of our program, and our chances of getting control of the House, are right now tied to interest rates." House Minority Leader Robert Michel of Illinois also sounded the alarm. "Within 90 days, something's got to give. I am a political creature, and our political futures require there's got to be some movement [on interest rates]."

On the other side of Capitol Hill, Sen. Majority Leader Howard Baker was simultaneously chastising high interest rates and "Wall Street" in words even stronger than those used by President Reagan in his ill-fated "anti-Wall Street" interview with the New York *Daily News* four months ago: "It is time indeed that the financial markets realized that they are playing a dangerous game."

Further, Capitol Hill sources have told me that President Reagan's most trusted friend on Capitol Hill, Nevada Sen. Paul Laxalt has just entered into discussions with Sen. John Melcher. Melcher, a Montana Democrat, is the sponsor of a Senate resolution that within 30 days of its passage, barring presidential veto, would force the President to confront Federal Reserve Chairman Paul Volcker and enact a program that would immediately bring down interest rates. Moreover, sources close to the House Democratic leadership have stated that Arkansas Democrat Bill Alexander, an associate of the House Majority Leader Jim Wright of Texas, a leading moderate, within a matter of days will introduce the Melcher resolution into the House of Representatives. The same sources report that Alexander now believes he will obtain almost all moderate Democratic House leaders as cosponsors of the resolution, but is not seeking the endorsement of the Socialist International-controlled Speaker of the House, Tip O'Neill.

These preliminary maneuvers reflect what well-

Majority Leader Howard Baker

placed Republicans in both the House and Senate have privately told us: that all the noise made over the past few days by the Republican leadership under Michel and Baker on credit controls, windfall profit taxes on banks, and so forth, is only noise, and that their real hope is that Reagan "somehow" can "deal with the Volcker problem" face to face.

In addition, these sources have confirmed that the soon-to-be buried Baker-Michel proposal to re-establish the tarnished Nixon tactic of impoundment of funds in order to secure cuts in the 1982 budget is a ploy aimed at shifting responsibility for these cuts onto the President and away from congressional Republicans.

Meanwhile, the momentum against high rates on Capitol Hill has already blurred and shaken congressional mechanisms the Reagan administration had planned to use for its new round of fiscal year 1982 budget cuts. Key Republicans such as Mark Hatfield of Oregon, chairman of the powerful Senate Appropriations Committee, and Peter Domenici of New Mexico, chairman of the Senate Budget Committee, have both privately pooh-poohed the impoundment proposal; nor has Hatfield publicly acceded yet to administration demands for an additional $15-$20 billion cuts in the 1982 budget.

These early returns from Capitol Hill suggest that legislators walked into an unexpected maelstrom when they went back home, because continued high interest rates no longer threaten only the home builder, car dealer, and thrift institutions; nor do they threaten just the auto industry and construction industry, all now on the verge of bankruptcy. High interest rates now threaten each citizen directly, and most importantly, have threatened the viability of an American institution that most still cherish—the family. For the first year ever in peacetime, the U.S. population level remained stagnant in 1980, and this year threatens to decline. High interest rates have collapsed purchasing power in consumer durables from homes to refrigerators, making families unaffordable. Hence the depth of the voters' rage.

As congressmen compare notes after returning, high interest rates are not their only problem. Hill sources report that constituents say they have lost hope for Reagan's "economic recovery plan." While the President is still personally respected by many Americans, his economic policy is considered as bad if not worse than that of Jimmy Carter. Washington politicians know that as less meat goes on the table during the fall, Americans will also lose respect for Reagan. Now Congress could even reject the next round of 1982 cuts.

Initial reports on President Reagan's Sept. 9-10 cabinet-level economic meetings suggest that he is on the verge of wasting the final round of credibility he retains with the American people. The White House has deliberately leaked indications that a major topic of discussion at those meetings included warnings from cabinet economic aides acknowledging that continued high interest rates now threaten Reagan's economic recovery.

These White House leaks also report that since the Federal Reserve has held monetary growth below its already restrictive targets, and the White House proposed that money supply might be eased, thus bringing down interest rates. What is not said, however, is that such reductions would only be marginal and temporary.

In short, President Reagan is apparently about to complicate his already faltering position with the American people by attempting to sell this temporary package to the Republic leadership in order to sustain continuous levels of budget cuts until 1982. This latest deception was mandated by Reagan's total acceptance of drastic increased budget cuts in 1982 demanded several weeks ago by Federal Reserve Chairman Volcker and his friends at the supranational banking institutions. Moves to cut defense and social outlays in the fiscal year 1982 budget have already been complicated by a longer-term administration consensus that income increases must be lowered beneath the rate of inflation; administration planners are pursuing a revision of the Consumer Price Index (CPI) so as to force a reduction in all cost-of-living escalators, whether they pertain to private and public union contracts or federal entitlement programs. Thus the administration has already signaled its commitment to reducing programs that affect not only the poor, but the broad sweep of the American people, namely, Social Security and Medicare.

Simultaneously, the administration has set itself at loggerheads with organized labor through its mishandling of the air traffic controllers' strike. Labor union sources are already predicting that this will lead to an all-out confrontation with organized labor next year.

But amidst the crisis in Washington, the Congress can be shaped to take bold action for the first time in many years if constantly directed by constituency pressure. Under such circumstances the administration could be brought in line.

Ironically, institutions which are most directly affected by the current economic situation and high interest rates have left the battle before it has begun. The National Association of Home Builders and the U.S. League of Savings and Loan Association have already agreed, under the tutelage of the U.S. Chamber of Commerce, to endorse the administration's program for increased budget cuts as the only way to reduce interest rates. The so-called national leaders of these tottering institutions look like Aaron Burrs; but witness the recent developments within the other major institution with the ability to shape Congress: the AFL-CIO.

At a Sept. 8 meeting of the newly created "National Coalition to Lower Interest Rates," an amalgam of national associations, the AFL contingent blocked a proposal urging support of the Melcher resolution, and instead offered as an alternative the Socialist International-endorsed program of credit controls. Sources close to the AFL report that the president of the American Federation of Government Employees (AFGE), Kenneth Blaylock, will become the next secretary-treasurer of the AFL-CIO, enhancing "left-wing power" within the labor federation. In addition, organizational control over the Sept. 19 mass demonstration against budget cuts in Washington, D.C. will be delegated to the Socialist International-controlled unions as the first step in a series of nationwide demonstrations, all with riot potential. Further, the "left-wing" unions within the AFL-CIO, including the AFGE, the United Auto Workers, (UAW) and International Association of Machinists (IAM), have relocated their top political intelligence operatives throughout the federation's bureaucracy to maintain fingertip control over such deployments. Sources now fear that one extraordinarily dangerous step in this leftist strategy will be to launch IAM strikes against defense plants, under the leadership of the union's president, William Winpisinger, an outspoken socialist and deindustrialization advocate.

Surface analysts of the Washington scene might take the emerging weakness of both the conservative Democratic "Boll Weevils," who voted in the House for Reagan's previous economic legislation, and of the liberal Republicans called the "Gypsy Moths," who also backed his proposals, as proof that the next round of the President's budget-cutting spree will lack the votes to succeed. In truth, it is only through broader new economic policy counterinitiatives that the opportunity in the current crisis can be effectively seized.

Weinberger embraces Global 2000 doctrine

by Lonnie Wolfe

For all the debate over proposed cuts in the Reagan administration's five-year, $1.6 trillion defense spending program, a most significant point is being overlooked: for all practical purposes, the U.S. military is in the process of reshaping its force structure to meet the demands of the Carter administration's discredited *Global 2000 Report*, a document that proposes the elimination of 2 billion people in the developing sector.

That is not to say this policy is either understood or supported by a majority of military professionals within the services or the Pentagon. It *is* to say that it is the de facto policy of Defense Secretary Caspar Weinberger, who as Nixon's Health, Education, and Welfare secretary, in 1974 at the World Population Conference sponsored by the progenocide Club of Rome announced that the United States was committed to achieving world zero population growth.

The thinking behind this transformation is as follows. The principal flashpoints for wars in the coming decades will be regions of the "overpopulated" developing sector. U.S. forces are to umpire these population-induced wars either through heavily armed surrogates or through the yet-to-be functional Rapid Deployment Force (RDF). As population impinges on scarce resources in coming years, both the threat and actuality of such warfare will intensify.

The leading spokesman for these ideas within the U.S. defense establishment is the Vietnam-era chairman of the Joint Chiefs of Staff, Gen. Maxwell D. Taylor, a member of the board of directors of the Draper Fund, which is devoted to population reduction, and an associate of the organization's founder, the late Gen. William Draper. It is Taylor's opinion that the United States and the Soviet Union will never fight a strategic nuclear exchange. The Soviets, Taylor has indicated in several published locations, will not deploy their considerable strategic nuclear forces against the United States, risking