

## Congressional Calendar

### **R**epeal of Regulation Q, sweeping banking reforms pass Senate

By a vote of 37 to 58, the U.S. Senate failed to pass a "killer" amendment to H.R. 4986—the bill to "deregulate" into oblivion the savings and loan industry in the United States. The amendment was introduced by Senator Robert Morgan (D-N.C.) who charged that H.R. 4986 should be known as the "Federal Depository Institutions Abolition Act," because its provisions set the conditions for savings and loan institutions to evolve into or be bought by commercial banks.

In addition, the legislation abolished "Regulation Q," essentially an anti-usury provision within the body of savings and loan institution regulations. Morgan pointed out that between the repeal of Regulation Q and the other provisions of the bill, mortgage money (whose major source is savings and loan institutions) would either become prohibitively high or simply disappear altogether.

The Morgan amendment was defeated Oct. 31, when key Republicans such as Jake Garn (R-Utah), the ranking Republican on the Senate Banking Committee, failed to support Morgan. The amendment would have returned the bill to the original House-passed version, before the Senate Banking Committee added the sweeping changes described above. Capitol Hill sources report that there is a good chance that the House will refuse to accept the Senate changes, and force a return to the original version in the House-Senate conference.

In earlier action on the same

bill, the Senate passed by the lopsided vote of 73-13, an amendment which repeals by federal mandate the usury laws on the books of 17 states. Introduced by Mississippi Republican Thad Cochran, the vote represents a total capitulation to the high interest-rate policies of Federal Reserve Board Chairman Paul Volcker. Panicked because the combination of usury laws in 17 states and the high interest rates mandated by the Fed is essentially prohibiting mortgage lending in these states, the foolish Senate chose to uncap local interest rates, rather than to prohibit the destructive policies of Volcker.

### **C**ongressman asks Fed: why not two-tiered interest rates?

In hearings on Oct. 30 before the Subcommittee on Access to Equity Capital of the House Small Business Committee, Subcommittee Chairman Henry Nowak (D-Buf.) demanded to know why the Federal Reserve Board could not institute a two-tiered interest structure for small businesses. Federal Reserve Vice-Chairman Frederick Schwartz replied that the Fed is trying to "convince" bank to continue lending to small business—by using "moral persuasion."

The hearings were called in response to an outcry by small businessmen—and the National Small Business Association in particular—over the destructive effects of the Oct. 6 tight money moves by the Federal Reserve to institute a two-tiered discount

rate on federal funds which work by having the Fed lend to banks at 3 percentage points below the discount rate for certified small business loans. The NSBA noted that de facto two-tiered policies have been in effect in the past, but that their proposal was the first to suggest an incentive by the Fed to ensure usage of such a system.

Referring to Federal Reserve Board Chairman Paul Volcker's Oct. 23 letter asking banks to continue lending to small business and other productive customers (as opposed to those engaged in speculation), Nowak asked Schwartz, "How can the Fed mandate the Oct 23 letter?" Schwartz replied that the Fed had neither the inclination or the ability to mandate such a policy.

Nowak countered with a reference to the de facto two-tiered policy which existed at the Fed during the 1973-1974 period and which was part of Nixon's wage-price package and asked why the Fed could not institute this again. Schwartz replied, "We are attempting to do that through moral persuasion." Nowak, in apparent exasperation concluded, "Well, if you could formalize the two-tier system, perhaps this would give the banks a little more 'moral persuasion'."

### **S**enate okays oil import curb

By a vote of 70 to 23 the Senate adopted Oct. 30 a proposal giving the President power to impose quotas or fees on imported oil, *without* prior House and Senate authorization. The oil import authorization is, additionally, attached to a meas-

ure extending the antitrust authority of the International Energy Agency.

While not requiring the President to seek prior Congressional approval for his actions, the bill does allow Congress, by vote, to kill the quotas or fees, which in turn could then be vetoed by the President and overridden only by a two-thirds vote of Congress.

The week before the vote, the Senate Energy Committee had endorsed a bill providing for more stringent control over the President's actions. That bill requires that both Houses first approve any quotas or fees over imported oil. After the Energy Committee vote, Senator Bennett Johnston (D-La.), chairman of the subcommittee with jurisdiction over U.S. import policies, met with Deputy Energy Secretary John Sawhill to work out a compromise in light of the administration's objections to the Energy Committee bill. Senator Johnston agreed to the legislation that was adopted by the full Senate and declared later that he had done so to avoid giving the President "a credibility problem." "This is a recognition and a vindication of the President's authority," he stated. The measure now goes to the House.

## **A**laska lands bill passes Senate committee

The Senate Energy Committee on Oct. 30 voted 17 to 1 to send to the floor a version of the Alaska lands bill that would prohibit any form of development and exploration on more than 25 percent of Alaska's land area. Earlier this year the Hou-

se passed a bill that was an environmentalist's dream, keeping over 33 percent of Alaska's territory from being developed.

Senator Paul Tsongas (D-Mass.), a close ally of Senator Kennedy, was the lone dissenting vote on the committee. Tsongas made clear that he does not think the strongly antidevelopment bill goes far enough, and indicated that he intends to strengthen the bill's limitations on developing the Alaskan wilderness when it reaches the Senate floor.

Last year, Senator Mike Gravel (D-Alaska) prevented any bill limiting Alaska land development from passing the Senate by a filibuster on the final night of the session. Senator Gravel declared after the Energy Committee vote that he will not agree to any limit on debating this latest version either.

Capitol Hill sources expect the Senate to put off review of the bill until the SALT debate is over. Once passed by the Senate, a compromise committee will have to draft a final version of the House and Senate bills.

## **D**econcini opens drug enforcement hearings

Senator Dennis Deconcini (D-Ariz.) opened hearings to probe the inadequacy of federal law enforcement in narcotics trafficking. In testimony before the Senate Appropriations Subcommittee on State, Justice, Commerce and the Judiciary Oct. 25, the panel heard from the head of the General Accounting Office, Elmer Staats, whose office has just released a 10 year study of

federal narcotics enforcement problems.

Deconcini is using the subcommittee hearings as a springboard to gain acceptance for his proposal to create a Senate select committee on narcotics, modeled on the select narcotics committee in the House. Unlike the House committee, Deconcini's proposed committee would not deal with questions of the medical effects of dangerous drugs, or deal deeply with the question of organized crime (allegedly for jurisdictional reasons.) A source close to Deconcini reported that the Senator is most interested in making the federal narcotics enforcement bureaucracy more effective in terms of coordination within the federal sphere, and coordination with state and local enforcement entities.

Opposition to Deconcini's proposal has come from both Sen. Sam Nunn (D-Ga.), chairman of the permanent subcommittee on investigations, and from Sen. Joe Biden (D-Del.), chairman of the Senate Judiciary Committee's subcommittee on criminal justice. Whether Biden and Nunn oppose the proposal on the basis of turf, or whether they see in the Deconcini moves, an attempt to seriously change or downgrade such entities as the Drug Enforcement Administration remains to be seen.

Deconcini intends to hold hearings during the first week of November to hear from the federal agencies which were criticized by the GAO, and then proceed to local hearings in Florida and Arizona to hear from field agents.

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