

Congressional Closeup by Barbara Dreyfuss and Susan Kokinda

House committee meets secretly on S&Ls

The House Banking Committee met in closed session with Federal Reserve Board Chairman Paul Volcker on May 27 to discuss the Federal Reserve's proposed legislative package to "bail out" failing savings and loan institutions.

According to committee chairman Fernand St. Germain (D-R.I.), the highly unusual private session was called so that committee members could engage in a "free give-and-take" with Volcker in this first session on the controversial legislation.

However, representatives of the smaller commercial banks and savings and loan institutions expressed concern over the closed session, fearing that St. Germain and Volcker may be trying for rapid approval of the legislation, which many of them oppose.

The most controversial aspect of the proposed legislation, still only in draft form, is the provision to allow the Federal Deposit Insurance Corporation (FDIC) and the Federal Savings and Loan Insurance Corporation (FSLIC) to authorize interstate takeovers of failing S&Ls by commercial banks and bank holding companies. Opponents view this as a first step for banking deregulation and absorption of local institutions by the big money-center banks.

According to sources, most of the session with Volcker concentrated on defining criteria for FDIC and FSLIC intervention. Critics of the legislation noted that if such detailed discussion is going on behind closed doors, it means that St. Germain and Volcker are trying to iron out potential snags

prior to actual introduction of a bill. That way, they can ensure that the legislation does not get bogged down in a long struggle, as other banking legislation has in the past.

Water policy hearings announced

Senator James Abdnor (R-S.D.), chairman of the Senate Environment and Public Works Committee's Water Resources subcommittee, announced the convening of hearings on June 8 to develop a national water-resources policy. In announcing the hearings, Abdnor said, "These hearings will examine the key aspects of our national water resources policy. We expect that these hearings will establish a foundation that will enable the subcommittee to report, later this summer, the first significant water-resources bill since 1976."

The June 8 leadoff hearing will feature Interior Secretary James G. Watt and Assistant Army Secretary-designate Gianelli, who have been asked to discuss overall issues in water-resource development, in particular, the inability to establish national water-project priorities or to expedite already mandated projects. Watt and Gianelli can be expected to address the Domenici-Moynihan bill, which establishes a kind of "block grant" approach to states for water projects. Written by two prominent members of the subcommittee, the legislation has raised concern in the water-resources development community for several reasons, among them the inequality of the state allocation formula and the deleterious effect on project development of such decentralization.

June 12 and 16 hearings are expected to look at the administration's proposals for both port and inland waterway user charges. The so-called cost-saving proposal emanating from David Stockman's OMB would reverse a 200-year tradition of free transit on interstate waterways. Stockman originally proposed this policy as a young congressman on the Select Committee on Population. His argument was that unfettered internal improvements and free intercourse attract and "breed" unwanted population growth.

Change in nuclear export policy advocated

The chairman of the Senate Energy Committee, James McClure (R-Ida.), called for reform of the 1978 Nuclear Nonproliferation Act in a floor speech on May 21. In the extended remarks delivered in support of the nomination of James Malone as assistant secretary of state for oceans, international environment, and scientific affairs, McClure noted Malone's role in chairing the Nonproliferation Coordinating Committee of the Reagan transition team, and in proposing a redirection of U.S. policy away from the antinuclear and anti-export policies of the Carter administration.

McClure said, "It is crucial that the United States re-establish its leading role in the development of nuclear nonproliferation aims and standards, as well as its position of leadership as a reliable supplier of nuclear materials and technology. A critical element in that effort must be a significant reform of the Nuclear Nonproliferation Act of

1978. In the three years since the NNPA was passed, there have been significant events in the international nuclear scene that have demonstrated conclusively that a number of key assumptions underlying that act, and several of the critical provisions in the act, are fundamentally flawed."

McClure is reported to be deeply concerned about the fact that top echelons of the State Department are continuing the Carter administration's antidevelopment and antinuclear policies in relations with the rest of the world. His praise of Malone was counterpoint to that concern.

Senators call for 'war on violent crime'

A group of Democratic senators met with President Ronald Reagan on May 6 and presented him with a letter signed by 13 of them urging a national war on violent crime. Howell Heflin (D-Ala.) reported on the meeting on the Senate floor May 20, when he released the text of the letter.

The letter calls on President Reagan to support a package of anticrime legislation, introduced by various congressmen among the signees, including augmenting drug-enforcement efforts, increasing penalties for violent crime, strengthening antiterrorist programs, increasing federal assistance to state and local governments, and increasing labor racketeering penalties.

Observers noted that the package did not represent any particularly coherent law enforcement strategy, but seemed to amount to a collection of the senators' legis-

lative initiatives. Senator Heflin's "National War on Violent Crime Act" appears to be a healthy attempt to restore some "no-strings-attached" federal law enforcement assistance to states and local entities.

But Sam Nunn's (D-Ga.) "Labor Racketeering Act" is viewed as providing a basis for a renewed witch-hunt directed at selected labor unions.

MHD program saved from cuts?

The Senate Appropriations Committee, in its budget reconciliation proposals made to the Senate, has recommended that the Reagan administration's proposed rescission of \$6 million for magnetohydrodynamics (MHD) research for fiscal year 1981 be converted into a deferral.

If approved by the entire Congress, the decision means that the MHD program will not be terminated this year, as the Reagan administration requested, although funds earmarked for expenditure this year will be deferred to 1982.

MHD, a method of producing electricity using fluidized coal, is nonpolluting compared to standard coal-fired power plants, is 60 percent more efficient than current electricity-generating technologies, and has applications to other industries as well, particularly the steel industry. As matters now stand, no decision will be made on MHD funding during the authorization and appropriations markups for the fiscal 1982 Department of Energy budget.

James Sasser (D-Tenn.), in a statement on the Senate floor, ap-

plauded the decision to defer as an indication that "the Congress does not fully support terminating this vital and important research." Noting that the administration argument for ending MHD funding rests on the ideological assumption that private industry should be paying for the research, Sasser said, "The only reason the federal government has been supporting this research in the first place is because private industry is not able to assume the entire research and development. MHD is a promising

"MHD is a promising energy alternative, but it is not ready to be commercialized."

Thurmond calls for stricter drug penalties

On May 21, 1981, Senate Judiciary Committee Chairman Strom Thurmond (R-S.C.) introduced S. 1246, a bill to amend Title 21 of the U.S. Code to increase the penalties for illegal trafficking in schedule I and II drugs from the current maximum of 15 years and \$25,000 fine to a minimum of 25 years and fine of \$100,000.

In remarks accompanying the introduction of the legislation, Thurmond noted that the Judiciary Committee had recommended these penalties last year during deliberations on the Criminal Code Reform Act, which never passed Congress. Thurmond added, "The war on drugs can be won, and we must start by putting in prison those who repeatedly beat the system because of low fine-levels and low sentences. My bill is directed at those hard-core drug traffickers. The toll of their illegal activities is too high to ignore."