Congressional Closeup by Ronald Kokinda and Susan Kokinda

Military role in space to come up in Senate

Resolutions on opposing views of what the U.S. military role in space should be are likely to see Senate floor action in July during the course of the debate on the Defense Authorization Bill. A resolution submitted by Paul Tsongas (D-Mass.) and Larry Pressler (R-S.D.) attacking any U.S. defense presence in space may come up against S.J.R.100, which supports President Reagan's March 23 proposal for the development of a space-based directed-energy defense against nuclear missiles.

Larry Pressler has been an outspoken advocate of negotiating a U.S.-Soviet treaty banning anti-satellite (ASAT) weapons in space, while Tsongas supports a more comprehensive resolution banning all U.S. military activity in space. The Tsongas resolution specifically emphasizes stopping the space-based defense program announced March 23.

Sources report that a tentative decision has been made to combine the Pressler and Tsongas efforts into one resolution, which will be backed by Senate Foreign Relations Committee chairman Charles Percy (R-Ill.) in an effort to pre-empt supporters of directed-energy weapons systems from bringing their resolution to the floor.

To date, the only resolution supporting the development of directed-energy weapons in the Senate is that of Malcolm Wallop (R-Wyo.). Wallop's resolution praises the President's defense initiative and calls for an administration program to speed up the research effort. S.J.R.100 is cosponsored by William Armstrong (R-Colo.) and Paul Laxalt (R-Nev.).

Wallop, however, has limited his support almost exclusively to the development of chemical lasers for such a defensive system. Although the wording of the resolution is not limited to developing chemical lasers, some congressional observers think that backing for any Wallop-authored resolution could be seen as support for use of chemical lasers to the exclusion of other systems, including x-ray lasers.

Bill may force banking deregulation action

Senate Banking Committee chairman Jake Garn (R-Utah) announced June 27 that, at the request of Federal Reserve Board Chairman Paul Volcker, he had introduced legislation calling a temporary halt to the mixing of banking and other financial services. The Acquisition of Depository Institutions Act (S.1532, co-sponsored by John Heinz [R-Pa.], William Proxmire [D-Wisc.], and Chris Dodd [D-Conn.]), puts a moratorium, to extend through Dec. 31, 1983, on the ability of non-depository institutions to acquire banks or savings and loans institutions. This would slow the expansion of businesses into the traditionally defined depository services sector.

The practical implication of the moratorium is to set Dec. 31 as a deadline and force Congress to take action on the regulatory areas defined by the moratorium. As Garn said when introducing the bill, "The purpose of the moratorium is to provide time for Congress to consider legislation designed to address the fundamental need to adapt the banking and financial system to a rapidly changing world. . . . The financial system of the 1930s has served us well, and certainly the underlying principles of a diverse, safe and sound system must be preserved. But the organizational structure of the system is being changed by consumer demands and institutional innovations. The test for Congress is to ensure that the banking statutes promote a diverse and safe and sound system that is better able to adjust to changes in the marketplace."

Garn also announced his intention to introduce and hold hearings on substantive legislation to address the question of the evolution of the banking system and those issues affected by the moratorium.

A similar moratorium instituted by the Supreme Court in the late 1970s forced Congress, acting under the pressure of the time limit, to pass the 1979 Depository Institutions Deregulation Act. Debate and discussion of this bill was so limited that few congressmen understood the implications of the bill, and the result was a wholesale weakening of the traditional American system of local commercial banks and thrift institutions providing credit for productive activity.

The incursion of securities institutions and other non-bank financial entitites, many of them based on speculative activity, into traditional banking has caused revolutionary changes in U.S. banking. It is these changes which Garn's proposed moratorium is ostensibly addressing. Both Garn and Volcker, however, prefer to insist that unstoppable market forces are responsible for the changes in the financial structure, and that Congress must adapt to this Invisible Hand.

Democrats discuss industrial policy

Representative John LaFalce (D-N.Y.), who revealed in his comments in the June 22 *Congressional Record* that his model for U.S. industrial policy is the recent plan by West German steelmakers "to cut capacity by about 13 million metric tons and costs by about $4.28 billion," heard testimony June 20 from several Democratic governors.

Bill Clinton (Ark.), James Blanchard (Mich.), and Richard Celeste

(Ohio), testifying before the House Banking Subcommittee on Economic Stabilization chaired by LaFalce, all cautioned against an "excessively centralized" policy. Clinton urged that pension funds be used as a "resource for targeted economic revival." Celeste attacked present government assistance programs to industry, which he called tax preferences, loans, and research and development funding. These programs, Celeste claimed, amounted to 13.9 percent of the GNP, and constituted an industrial policy having been "formulated under the pressures of the porkbarrel." He added that Congress should "expose our present industrial policies for what they are and dismantle them." While vague about what the federal government should do to replace such programs, Celeste noted that Ohio is developing a plan for all economic programs for the state.

Blanchard, who is facing a recall petition in Michigan for raising the state income tax, was slightly more cautious about criticizing federal assistance for industry, commenting that "We can do only so much at the state level with limited resources."

Senate puts 'Project Democracy' on hold

In an effort to delay Senate consideration of the $31.3 million funding for the National Endowment for Democracy, a program parallel to the better-known "Project Democracy," 10 senators have sent a "hold" letter to Majority Leader Howard Baker (R-Tenn.) indicating that they have objections to the legislation. The National Endowment for Democracy program is to be run by the U.S. Information Agency.

According to Capitol Hill sources, Michael Pillsbury, an aide to Orrin Hatch (R-Utah), a member of right-wing social-democratic networks, and a close associate of Henry Jackson (D-Wash.), pressured the White House and others to stop the "hold" letter. Hatch was one of the original co-signers of the letter, but some members of the Senate Republican steering committee have reportedly withdrawn their names.

Dissenters in the House last month stopped funding for the national Democratic and Republican parties to participate in "Project Democracy," and nearly succeeded in killing the program entirely. Public debate has centered around fiscal restraint and the compromised position of private agencies operating abroad with federal government funds. There have also been strong objections to the heavy funding ($13.8 million) awarded to the AFL-CIO under the program.

Other opponents are concerned that the program will run foreign policy behind the President's back. They see "Project Democracy" as an adjunct to proposals by Jackson for a bipartisan commission to formulate U.S. foreign policy toward Central America. The President's supporters view the various proposals for a commission as a serious potential infringement on the constitutinal powers of the White House to set foreign policy.

The Senate Foreign Relations Committee, which held jurisdiction on the program, is being privately criticized by various Hill figures for its lack of thoroughness in holding hearings on the program. Project Democracy was considered during the hearings on USIA programs, and therefore no outside witnesses were called.

A separate hearing was held on the National Endowment for Democracy. All the witnesses, however, were strong advocates of the program including Rep. Dante Fascell (D-Fla.) and Charles Manatt, chairman of the Democratic National Committee. A spokesman for the Senate Foreign Relations Committee claimed not to know "of any group" that was opposed to the program. "The chairman [Charles Percy (R-Ill.)], has not received one letter from a group opposed to the program," he claimed.

Early votes set on Volcker and IMF

The Senate Banking Committee has set July 14 as the date for confirmation hearings for the second term of Paul Adolph Volcker as chairman of the Federal Reserve Board, and floor debate—limited to two hours—in the House on the $8.6 billion IMF bailout has been set for the same day. The Rules Committee has given the IMF bill an "open rule," which means that it can be amended in any way.

Opponents of the IMF bill in the House report that the issue is becoming very controversial. They estimate that the IMF backers are taking extra care not to make mistakes and are lobbying hard to get commitments for votes.

The administration has made two important concessions which are being touted by IMF backers in the House as attempts to buy votes for the IMF. Fernand St. Germain (D-R.I.) had refused to put the IMF vote on the House floor schedule unless a housing bill was scheduled first. Germain, who has been assured that the President will not veto the housing bill, has now scheduled both bills for floor action.

In addition, members of the steel caucus are being urged that the July 5 anouncement of stiff quotas on steel imports will free them to vote for the IMF, because such protectionist measures can ostensibly counter the "export of American jobs" that press reports have attributed to IMF subsidies of Third World economies. Increasing U.S. exports—by ending IMF austerity.