Congressional Closeup by Ronald Kokinda and Susan Kokinda

Federal insurance programs near bankruptcy

Congress has been told that unless it comes up with somewhere between $8 and $12 billion, the Federal Savings and Loan Insurance Corporation is insolvent.

Testifying before the House Banking Subcommittee on Institutions, Edwin Gray, chairman of the Home Loan Bank Board, acknowledged that the FSLIC is faced with bankruptcy. Effective funds in hand are $3.2 billion, while obligations to cover all thrifts now considered insolvent would cost some $15 billion.

To avoid the consequences, the bank has simply not acted to protect depositors in several cases, because it would not have the insurance money required to deal with the insolvency.

Gray has asked for recapitalizing of the insurance fund with $8.5 billion in new money. He proposes to raise this by a 1% surcharge on the assets of the nation's thrifts. By his own admission, 50-100 banks would go under if they had to come up with that amount of cash. Overall, it is estimated that between 150 and 300 S&Ls are insolvent.

Gray's testimony follows earlier reports on the state of the nation's Farm Credit System. To cover the conservative estimate of $11 billion in bad debt, the system requires an immediate infusion of some $10 billion.

Baker: billions for debt, nothing for U.S.

The true insanity of Paul Volcker's debt policies were displayed on Capitol Hill in mid-October, as congressmen, whipped up into a domestic budget-cutting frenzy by Volcker, Treasury Secretary James Baker, and others, were suddenly told by Baker that billions were needed for supranational financial institutions. Congressional nerves, already badly frayed over the "balanced-budget" fight, were left traumatized.

Baker, in an appearance before the House Banking Committee on Oct. 15, demanded that Congress put up major funding increases for the World Bank to permit it to play a greater role in the global debt crisis.

Having spent several intensive weeks being re-programmed around an austerity budget, congressmen reportedly "reacted harshly" to Baker's proposal for opening the money spigots for a U.N. agency. A mild, public form of this came from Committee Chairman Fernand St Germain (D-R.I.):

"I ask you, what worthy domestic programs will have to be cut in order to balance the budget, and support the administration's newest International Monetary Fund-World Bank funding request? I assure you that the Congress will never allow domestic programs to take a back seat in the budget process."

Strategic defense survives House test

The House and Senate are struggling to complete their annual appropriations bills, which provide the funding for programs which have already been approved. Over the week of Oct. 21, House liberals, led by Rep. Vic Fazio (D-Calif.), mounted an attack on the funding for the Strategic Defense Initiative.

The previously approved funding was $2.5 billion, but Fazio wanted to cut the appropriation to $1.9 billion. The administration had originally asked for $3.7 billion.

The White House mounted a vigorous counterattack two days before the House vote. President Reagan, Secretary of Defense Weinberger, SDI chief Lt.-Gen. James Abrahamson, and others were called upon to argue the case for the approved funding.

Their principal argument was that any cuts would weaken the President's position at the forthcoming summit. The arguments prevailed, and the committee voted up the $2.5 billion funding by 31 to 23.

The SDI opponents, however, insist that they will continue their fight to destroy the program before the full House.

Nitze, Sofaer testify on ABM Treaty

State Department Counsel Abraham Sofaer told House Foreign Affairs Committee hearings on the "proper" interpretation of the ABM Treaty, that the United States can develop and test strategic systems based on "other physical principles." The treaty only bans the deployment of such systems.

In studying the ABM Treaty, Sofaer told the committee Oct. 22:

"I reached the firm conclusion that, although the U.S. delegates initially sought to ban development and testing" of exotic weaponry, "the Soviets refused to go along and no such agreement was reached."

Testifying with Sofaer, who had previously endorsed the findings of a new Pentagon study which maintains that the "Agreed Statement D" to the ABM Treaty, clearly permits the research, testing, and development of advanced defensive technologies, was senior arms-control adviser Paul Nitze. Nitze delivered the official State Department line on the issue.

While a broader interpretation of the treaty is "fully justified," he said, this is a "moot point" because the SDI "research program has been structured, and, for solid reasons, will continue to be conducted, in accordance with a restrictive interpretation of the treaty's obligations."

In response to questions from the panel, Nitze said that the SDI "research program is not on the [arms negotiating] table. But with respect to other aspects, of course, they are on the table."

While espousing the State Department's line on the ABM Treaty, Nitze also rejected a proposed amendment by Rep. Norm Dicks (D-Wash.) that would have given the "restrictive intepretation" of the treaty the force of law.

"If the Congress limits the executive branch, then it is not necessary for the Soviet Union to make any trade with the United States with respect to these things," he said.

Senate votes to delay Jordanian arms sale

By a vote of 97-1, the Republican-controlled Senate voted to put off any consideration of the sale of defensive weapons to Jordan until March 1, unless Jordan begins direct peace negotiations with Israel before that date.

The proposed delay was designed by Senate Foreign Relations Chairman Richard Lugar (R-Ind.), on behalf of the GOP leadership, after 74 senators had registered their opposition to the administration request.

"A vote of disapproval was going to occur," Lugar said after the vote. "To the extent that bad things didn't occur and good things could still occur, I think we're all a whole lot better off, including the king."

King Hussein, however, called the delay "totally unacceptable. One wouldn't like to use the word blackmail, but its totally unacceptable. Obviously, it's not a way to deal with problems among friends."

House opponents of the arms deal, who have 273 cosponsors of a resolution of disapproval, suggested that the House may go ahead with a flat-out rejection of the sale.

The stand of the lawmakers reflects the action of the Zionist Lobby on Capitol Hill, which has sought to use the sale to, indeed, blackmail Jordan into accepting the proposals of Israeli Premier Shimon Peres for direct peace talks excluding the Palestine Liberation Organization—and therefore, any prospects of peace. King Hussein has rejected Peres's proposal.

Deep cuts by House; Senate to act soon

Gripped by the deficit-mania that has seized Capitol Hill, the House voted up a three-year package of budget cuts by a vote of 228-199, largely along party lines.

The bills are part of a "budget reconciliation" process whereby the two houses of congress are to pass spending bills that comply with congressional budget targets previously enacted.

The House bill calls for $78 billion in cuts through fiscal 1988. A list of the affected programs gives a good idea of the extent of IMF-style austerity now being applied to federal programs. The House bill would freeze federal civilian workers' pay for a year, cut some housing programs, impose a means test on certain medical aid for veterans, reduce highway spending, increase federal insurance costs for some private pension plans, require financial-need analysis for guaranteed student loans, abolish the Synthetic Fuels Corp., slow the fill-rate for the strategic energy reserve, cut small-business programs, and end revenue-sharing for local governments next year.

For both House and Senate, most of the real savings would come from curtailing annual appropriations, including defense spending.

Senate votes for protectionism in textiles

The Senate, by a 54-42 vote, has passed amendments that would curtail imports of shoes and textiles. The votes came on amendments attached to austerity measures being considered by the Senate as part of the budget reconciliation process.

The textile provision would reduce imports from the leading textile suppliers—South Korea, Taiwan, and Hong Kong—by as much as 30% and freeze imports from other textile-producing nations at 1984
footwear provision woulds limit annual imports at 60% of the U.S. market for eight years.

According to spokesmen, the American textile industry has lost 350,000 jobs over the past five years. The congressional response has been to blame foreign competition rather than Federal Reserve usury and the overpriced dollar.