

Congressional Closeup by Ronald Kokinda

Troop pullouts from Europe mooted again

The issue of pulling U.S. troops out of Europe has been revived by at least two prominent members of the House, Reps. Lee Hamilton (D-Ind.), chairman of the Europe and Mideast Subcommittee of the House Foreign Affairs Committee, and Robert Michel (R-Ill.), the House Minority Leader.

The issue of U.S. troop pullouts was dormant earlier this year as the House considered the Defense bill. Pullout advocates were trying to reassure the Europeans in order to secure their acquiescence to an INF agreement and the withdrawal of U.S. medium-range nuclear weapons from Europe. Now, with the Senate yet to consider the Defense bill, and an INF agreement apparently imminent, the troop pull-out issue is being revived.

Michel raised the issue by asking "Was 'Ike Right' About NATO?" in the July 28 *Congressional Record*. Michel submitted an article by James Chace from the August *Atlantic Monthly* that argued that "the so-called Finlandization of Europe is imaginary," and that "American economic weakness. . . [and] an unwillingness to change the structure of alliances in a way that would honestly reflect a mature America's diminished role in the world," were the greatest threats to U.S. security. Chace urged that a European commander be appointed supreme NATO commander, and questioned the U.S.-British special relationship, as ways to increase inter-European cooperation.

While claiming he did not subscribe to the Chace view, Michel said he thought "our colleagues should at least see that the subject is one which can't be dismissed or ignored." On July 29, Rep. Tom Tauke (R-Iowa) entered an editorial from the *Economist* of London on the need for Europe

to shoulder more of the defense burden.

Hamilton joined the debate with a commentary in the *Christian Science Monitor* on Aug. 24. The debate is a "positive development," Hamilton argues. The Europeans recognize the need to do more themselves, but "whether troop reductions would spur the Europeans to do more, or less, for their own defense is unclear."

"It is time to stop the view that it is dangerous to raise the issue of troop reductions and thus open a Pandora's box," Hamilton claims. "Congress is not demanding that the troops come home; it is merely inquiring why they must continue to stay."

Brown proposes national capital banking system

Rep. George Brown (D-Calif.) proposed the creation of a national capital banking system to ensure greater emphasis on long-term investment in the U.S. economy, in a speech on science and economics delivered to a Brookings Institution conference and which he entered into the July 27 *Congressional Record*.

"The time has come," Brown said, "to establish a national capital banking system which segregates the money supply for daily commerce and short-term working capital from the money supply for long-term capital investment. These two money supplies should be managed separately according to their differing needs. Long-term monetary policy and capital supplies should be managed with special attention to investment in new industry, technological development, education, and public works that may be needed at least 10 years in the future."

Brown said that in order to increase the supply and lower the cost

of long-term capital, the Federal Reserve Board "should establish lower cash reserve requirements [reserve ratios] on loans made by member banks for long-term industrial development and public capital investment." Analysis of the effects of its decisions on long-term investment would be incorporated in all Fed reports to Congress.

The second thrust of Brown's proposal would be to integrate science advisers into various government economic agencies such as the Fed, the Council of Economic Advisers, etc., since "new technology is estimated to have produced nearly half the economic growth of our country over the last century."

The third area that Brown addresses is to increase capital for long-term investment by creating a National Retirement Account (NRA) with the power to make investments in both the public and private sector. The NRA would be capitalized by surpluses in the Social Security OASDI trust funds that are estimated to total \$2.2 trillion 30 years from now, instead of these funds going exclusively to buy up government debt.

Brown motivated his proposal as necessary to "move beyond the facile solutions of trade protection and currency controls to address the underlying causes of our problems."

While a positive economic proposal, a weakness could be the content of the "science" that Brown would interject. An advocate of environmentalism, low technology, etc., Brown would like to see such investments tackle "long-term global environmental problems" such as climatic changes.

House keeps nuclear industry alive—maybe
The House approved two pieces of

legislation important to the future of nuclear power, the Price Anderson Act H. R. 1414, which was approved by a vote of 396 to 17 on July 30, and the Nuclear Regulatory Commission authorization H. R. 1315, approved by a vote of 389 to 20 on Aug. 5. The Senate is expected to consider both bills shortly after returning from the August recess.

While the worst anti-nuclear amendments were defeated, both bills place significant monetary burdens on nuclear power which, as Rep. Manuel Lujan (R-N.M.) and other opponents of these provisions noted, will end up as higher burdens on rate-payers.

Price Anderson limited the liability for nuclear accidents off-site to \$700 million per accident, which was raised to \$7 billion. Lujan attacked the bill on several points. "Rate-payers of this country are asked to increase their payments for electricity for this particular item by twelve and a half times," Lujan noted, which raised the per reactor cost from \$5 to \$63 million. Lujan noted that there was no limit to the liability placed on accidents that result from nuclear waste activity.

An amendment by Rep. Ed Markey (D-Mass.) to the NRC Authorization sought to prohibit the licensing of the Seabrook or Shoreham nuclear power plants for full power operation unless emergency evacuation plans were agreed to by the local states, was solidly rejected on a 160-261 vote. Opponents of Markey argued convincingly that nuclear energy was a national security question not to be vetoed by states. "By adopting the Markey Amendment, we are playing into the hands of the Ayatollah, who," Rep. Norman Lent (R-N.Y.) warned, "I am sure, is glued to C-SPAN right now, rooting for the passage of the Markey Amendment. That is how bad it is."

At the same time, the NRC was

authorized by an amendment sponsored by Rep. Jim Slattery (D-Kan.) to increase the percentage of its annual budget which it could collect by user fees from 33 to 100%, boosting per reactor costs from \$840,000 to roughly \$2.9 million.

Debt threatens U.S. power

A study prepared by the Joint Economic Committee and released Aug. 5, has warned that mounting international debt threatens the U.S. role as a major world power, and that restoring the United States to a net creditor position "will require a fundamental reorientation in economic policy."

"A debtor must strive to accommodate its creditors for fear that needed financing might stop," warns the report. "No country has ever managed to be a great power and a great debtor at the same time, and two great powers, Britain in this century and Spain in the 16th century, lost their stature as world leaders when they moved from creditor to debtor status. . . . We cannot continue to go ever deeper into debt and still retain our status as a world leader."

Prepared under JEC Chairman Sen. Paul Sarbanes (D-Md.), the report seems to be oriented to the 1988 presidential election campaign, but is correct in stating that to end debtor status, trade deficits will have to be turned into surpluses.

Among the key areas requiring a fundamental change in policies, the report says that the Third World debt crisis must be resolved so that "import demand growth" is resumed in the debt-burdened countries. Also, in addition to tackling the budget deficit, the report calls for seeking "appropriate budget priorities." For example, "too much of our nation's basic phys-

ical plant is worn out and deteriorating to the point where it inhibits the efficient production and movement of goods. Rebuilding the ports, railroads, bridges, and roads over which goods move is essential if we are to expand our role as a major exporter."

Banking panel to review defense industrial base

The Economic Stabilization Subcommittee of the House Banking Committee chaired by Rep. Mary Rose Oakar (D-Ohio), held hearings on July 8 and 28, and announced "extensive hearings on the present state and future viability of America's defense industrial base" to begin after the August recess. The subcommittee is considering the DoD's proposal on the industrial base which would help create certain vital national industries.

Vociferous advocates of trade protectionism are among those taking the strongest interest in this issue, including Reps. Marcy Kaptur (D-Ohio) and Helen Bentley (R-Md.).

Oakar said that "some startling facts" had already been uncovered in the first two hearings. "The DoD has concluded that American industry very possibly cannot respond to defense surge requirements in the case of emergency," she said.

"Existing military supplies are inadequate to meet defense needs," Oakar added. "There is a substantial shortfall of supplies which could last until U.S. industry was converted from peacetime to emergency production capability." Also noted was the "alarming degree of fragmentation of responsibility" in government planning.

On trade, Oakar noted that "there has been a steadily increasing procurement of weapons subsystems and components from overseas."