

## Congressional Closeup by William Jones

### Congress told S&L bailout getting bigger

In testimony before the House Banking Committee on Dec. 11, Comptroller General Charles Bowsher warned that the nation's banks may need more than the \$70 billion in additional borrowing authority Congress just granted them.

"My concern all year has been that the regulators and the administration have said that this was a temporary problem, that the banks needed a loan, and the taxpayers would not be involved," said Bowsher. But, he claimed, he had recognized all along that "it was obvious this was a bigger problem."

At the beginning of January, the Federal Deposit Insurance Corp. announced that commercial banks had earned \$4.3 billion during the third quarter—a moderate decline from the \$4.6 billion earned in the second quarter.

The FDIC said banking troubles spread to California, but claimed that institutions in the Northeast showed signs of "modest recovery." So far, it has been only the savings and loans failures that have cost taxpayers; that cost is expected to reach \$500 billion over 40 years, including interest, but the figure is continually being revised upward at ever-increasing intervals.

But even Treasury Secretary Nicholas Brady has gradually shifted his position, no longer guaranteeing that banks won't also need a taxpayer bailout or that they will ultimately be able to repay their 15-year government loans.

Regulators say as many as 400 banks and S&Ls are likely to fail in the coming year. Although the administration received the \$70 billion it had

sought for banks, Bowsher said they could need more money because economic conditions could get even worse, poor financial reports prepared by bank management could affect the accuracy of estimates of money needs, and the unexpected collapse of even one major bank institution could significantly increase the amount of money needed.

### Lugar demands Ukraine dismantle nuclear weapons

Sen. Richard Lugar (R-Ind.), a pointman for the Bush administration on the Senate Foreign Relations Committee, demanded at a press conference on Dec. 18 in Washington that the dismantling of the nuclear weapons in the former Soviet republics be put on a "fast track."

Lugar said that Secretary of State James Baker should tell Ukrainian President Leonid Kravchuk "that the United States is prepared to work *immediately* with Ukraine" on a plan to tag and inventory all tactical nuclear weapons, to dismantle the weapons and to store the fissionable materials under commonwealth and/or international control. He warned that "this can and should be achieved in a short span of time," since the weapons represented "an awesome threat to United States security and to the quality of life in Ukraine."

"Control and destruction of these nuclear weapons," continued Lugar, "must be our objective in working unilaterally with Ukraine."

Lugar threatened that diplomatic recognition and assistance to Ukraine and to other republics would only be considered "on the basis of their complete assumption of arms control treaty obligations previously negotiated with the Soviet Union, and on the ba-

sis of total cooperation in the rapid, systematic destruction of the tactical and strategic nuclear weapons under the control of the various republics."

Calling the nuclear weapons in Ukraine and the other former Soviet republics "the most serious national security issue we face," Lugar said that the United States should commence a daily countdown on the destruction of these nuclear weapons.

### Gephardt calls for trade war against Japan

One day after the announcement of 74,000 planned layoffs at General Motors on Dec. 19, layoffs which were motivated ostensibly by GM's loss of market share to foreign competition, Democratic congressmen, including House Majority Leader Richard Gephardt (D-Mo.), Energy and Commerce Committee Chairman John Dingell (D-Mich.), and Senate Banking Committee Chairman Donald Riegle (D-Mich.) announced new legislation, the Trade Enhancement Act of 1992, which would place draconian limitations on Japanese imports to the United States.

According to the legislation, Japan would be required to reduce its 1991 bilateral trade deficit with the United States by 20% per year in each of the next five years. The trade deficit reduction efforts would be monitored on a quarterly basis. If Japan failed to meet the targets, Congress would impose specific sanctions on U.S.-Japan automotive trade parts. Such "enforcement provisions" would include establishing a limitation of 3.8 million units in 1992 on the U.S. sale of Japanese automobiles with less than 60% of the value of their components coming from non-Japanese-affiliated auto parts firms, forcing an increase in

U.S. exports of motor vehicles to Japan, and renegotiating the voluntary restraint agreement with Japan to include Japanese assembly facilities in the United States which do not buy at least 60% of their auto parts from non-Japanese-affiliated auto parts firms.

Introduced just prior to President Bush's January visit to Japan, the Gephardt legislation was designed to "stiffen" the resolve of the administration to strong-arm the Japanese. "If the President's actions in Asia next year are insufficient," Gephardt warned, "progress on trade will finally come from the remedies we have written into the Trade Enhancement Act of 1992."

## **N**AFTA supporters admit passage is uphill fight

Congressional supporters of the North American Free Trade Agreement (NAFTA) are warning George Bush that it could be defeated if brought to a vote in 1992.

According to the Dec. 18 *Journal of Commerce*, Senate Finance Committee Chairman Lloyd Bentsen (D-Tex.) advised U.S. Trade Representative Carla Hills that it would be a mistake to try to push NAFTA through in an election year.

Sen. Max Baucus (D-Mont.) delivered the same advice to others in the administration.

A congressional staffer cited by the *Journal* argued that it would be "impossible" to draft legislation for both the General Agreement on Tariffs and Trade and NAFTA in the same year. And even if it were possible, he argued, "the votes aren't there."

Another staffer involved in the NAFTA hearings indicated to *EIR* that although some agreement had been made with regard to the problems of

the automotive industry, next to nothing had been done by the administration to allay congressional concerns in the area of environmental and labor conditions. The administration had also promised to provide "adjustment assistance" for any U.S. workers laid off as a result of the agreement, but had given no indication how this would be accomplished.

The staffer also indicated that although the administration may be eager to get an agreement with Mexico quickly, it is afraid of presenting a treaty which would be rejected by the Senate.

The announcement of the massive layoffs by GM on Dec. 18 will only fuel the growing opposition to the treaty. One of the objections to NAFTA has been the fear that U.S. automotive companies would begin producing U.S.-make cars south of the border, with cheaper labor and foreign-produced parts, undercutting U.S. production and U.S. wage levels.

## **P**anetta seeks cuts in Medicare, entitlements

House Budget Committee Chairman Leon Panetta (D-Calif.) is calling for cuts of \$400 billion over 10 years in social services, primarily by limiting the anticipated yearly growth of Medicare.

Abandoning the traditional Democratic support for entitlements for the poor and elderly, Panetta said that benefits for the elderly, including Social Security, cannot be shielded forever. He called for a shift in government social spending away from the elderly and toward the young, i.e., in effect, a triage policy against the elderly, the Dec. 13 *Philadelphia Inquirer* reported.

But even this figure, amounting to \$40 billion in "savings" a year, is only the beginning of what is in store. Under present economic conditions, government costs for Medicare, Medicaid, and other health programs are projected to skyrocket from \$189 billion this year to \$517 billion by 1996 despite \$45 billion in Medicare cuts over five years which were already mandated in last year's budget agreement.

## **D**emocrats sue FEC for rigging campaign funds

The Democratic National Committee has filed suit against Treasury Secretary Nicholas Brady in federal district court for apportioning Federal Election Commission funds so that George Bush's reelection campaign would receive most of the money.

Although no candidate other than Democratic presidential candidate Lyndon LaRouche—who met all FEC criteria for receiving matching funds—was preliminarily declared ineligible for such funds, the FEC is set to deprive almost everybody except Bush from receiving significant funding in time for the early stages of the campaign. Of the \$127 million currently in the FEC fund, the Treasury Department has set aside only \$16 million for the primary election season, leaving \$111 million for the national political conventions.

The Democrats say that the incumbent President could be expected to raise more funds than his lesser-known opponents early in the campaign, thus capturing the bulk of the available funds. DNC treasurer Rep. Robert T. Matsui (D-Calif.) complained to AP that the seven Democratic dwarfs "have low name identification." "They have to get their message out," lamented Matsui.