

Congressional Calendar

Hill Committees blame EMS for tight money

A report just released by the Joint Economic Committee and the House Banking Committee, "The European Monetary System: Problems and Prospects," tries to lay the blame for current tight money policies in the U.S. at the door of the member nations of the European Monetary System. Rep. Henry Reuss, who is chairman of the House Banking Committee, and a senior member of the Joint Economic Committee (JEC), has been a central spokesman for the City of London on Capitol Hill. London wants to destroy or coopt the EMS. Reuss has focused on attacking West German economic policy, in particular.

The report, datelined Nov. 1979, states: "It is often asserted that the European Monetary System was created to shield Europe, and Germany in particular, from the instability of the dollar." The report then notes that the alternative to this European anti-dollar sentiment is for the U.S. to stabilize the dollar through the kind of restrictive monetary policies imposed by the Federal Reserve Board during early October:

"Most European officials want the United States to exploit this change in technique to bring about a sharp tightening of monetary policy to whatever degree be required to stabilize the dollar."

While the report itself covers-up the essential purpose of the EMS—to stabilize the dollar through the remonetization of gold, preparatory to funding technology transfer to the developing sector nations—in his letter of transmittal prefacing the report, Reuss lets leak the real fear respecting the European sys-

tem: that it is slated to replace the International Monetary Fund.

"They (the Europeans) have also set in motion plans to establish a regional IMF known as the 'European Monetary Fund'," says the congressman.

Banking reform legislation still stirring

Rep. Henry Reuss and Sen. William Proxmire's attempt to usher in a major restructuring of the U.S. banking industry in large part now hinges on the actions of Proxmire's Senate Banking Committee in early December on S.87, the Federal Reserve Membership Bill. The House has already passed H.R.7 which ends the dual banking system in the United States by making membership in the Federal Reserve System mandatory for banks of a certain size.

In mid-November Proxmire attempted to push a similar bill through the Senate Banking Committee. He was blocked when the committee voted for a bill from Texas Republican John Tower. The Tower bill has no mandatory membership requirement. Its mark-up is rumored to be scheduled for early December, with Proxmire expected to try to amend the Tower bill to the effect of mandatory membership requirements. The outcome is uncertain.

More is at stake than even this sweeping reform, however.

Reuss has brought together H.R.7 with H.R.4896, the Federal Depository Institutions Deregulation Act, for the purpose of an eventual joint Senate-House conference. H.R.4896, as passed by the Senate, makes such sweeping

changes in regulations governing savings and loan institutions as to guarantee that this specialized portion of the banking industry, responsible for most mortgage financing, will be absorbed by commercial banks. The House version does not have these provisions.

By combining the two bills, Reuss and Proxmire hope to end up with the most sweeping version of each. The one hitch appears to be the Tower bill. Proxmire seems unwilling to go to the floor of the Senate on S.85 unless he can include mandatory Fed membership. If no version, or the Tower version, emerges, the whole coupling strategy may fall apart, and foes of the reforms stand a better chance of saving the banking system.

Kennedy pushes gun control bill

Senator Ted Kennedy (D-Mass.) has introduced legislation that would drastically curtail the American population's Constitutionally declared right to bear arms. On Oct. 24 Kennedy introduced S.1936, the Handgun Crime Control Act. The bill, which could cost Kennedy enormous conservative support for his campaign, establishes a Handgun Concealability Control Committee. This committee, which would include police officials, public officials and gun industry people, would be empowered to declare which guns could be legally imported, produced and sold throughout the U.S. Asked if this meant that guns that did not have a clear sporting use would be outlawed, a Kennedy staffer indicated that such was the case, and that this would include .38 calibre guns in the "outlawed" category.

The bill also "encourages states" to establish licensing for guns. Sources close to Kennedy indicated that the aim would be to establish nationwide gun control laws "very much like we have in Massachusetts," which has the toughest laws in the country.

Other provisions of the bill include requiring that all companies that sell guns keep records for ten years. Also all transactions involving guns would be required to go through a licensed dealer, including a father giving his gun to his son. Fines and imprisonment are stipulated for violation of these provisions.

The bill was introduced into the House during the second week of November by Congressman Peter Rodino (D-N.J.). Both the House and Senate Judiciary Committees are now reviewing the legislation.

Senate begins vote on windfall profits

The Senate has begun voting on amendments to the windfall profits tax bill. The entire bill is expected to be completed by the end of the first week in December, when the final vote by the Senate is expected. On Nov. 27 the Senate voted up an amendment by Senator Lloyd Bentsen (D-Texas) that would exempt from the tax the first 1,000 barrels of oil produced each day by an independent operator, an estimated 15 percent of U.S. production.

This concession to small independent producers will not significantly help the medium producers. "The big companies can handle this tax," declared Bentsen. "The little ones cannot—they will go out of business," he said when introducing his amendment. The amend-

ment will take \$10 billion from the expected revenues generated by the bill.

On Nov. 28 the Senate defeated by a vote of 19 to 79 an amendment proposed by Senators Javits (R-N.Y.), Charles Percy (R-Ill.), Bradley (D-N.J.), and Kennedy (D-Mass.) that would help fund oil development programs controlled by the International lending agencies such as the World Bank, through the windfall profits tax. "My amendment makes it possible for the Secretary to contribute to multinational energy development funds which accept direct contributions and have purposes like the Bank's fund."

World Bank oil programs in the Third World are a form of raw materials extraction from the underdeveloped sector and admittedly have little to do with developing oil industries.

Looming depression brings call for "Old Deal"

With the "Crash of '79" rumored on its way, a variety of Senators and Congressmen are looking back to Franklin Roosevelt's 1930s economic policies as a solution. The latest in the list include Mississippi Rep. Jamie Whitten and Illinois Democrat Adlai Stevenson.

On Nov. 16 Whitten introduced a bill to reestablish the Reconstruction Finance Corporation (H.R.5920). Whitten calls for an authorized capital stock of \$5 billion for the RFC which could buy, sell, contract, and make loans in the private sector. Ironically, Whitten notes the parallels between the hyperinflationary period in Germany in the 1920s, and what is occurring in the U.S. today, and cites a new

RFC as the way to prevent a rerun of Germany in the 1930s.

Ironically, the Reconstruction Finance Corporation, as Roosevelt himself later recognized, was only a mild version of precisely the economic policies which held sway in Germany in the 1930s.

A week later, Sen. Adlai Stevenson (Ill.) introduced S.2033, a bill to increase funding for the Economic Development Agency to make loans available for the asset stripping of Chrysler. The Economic Development Agency is rapidly becoming the de facto Reconstruction Finance Corporation of the Carter administration.

In early November, the House passed the Public Works and Economic Development authorization which massively increased the funding for the EDA, turning it into a virtual National Development Bank or RFC.

Stevenson calls for the asset stripping of Chrysler, by making loans available through the EDA to the firms which may want to pick up the pieces of a bankrupt or stripped down Chrysler. He says, "it would not be difficult to find better investments than Chrysler, it would not be difficult to find firms better managed with better prospects and likely to create more employment in the long term."

Stevenson also calls for an increase in funding to EDA of \$1.5 billion for use in the Chrysler affair, with no more than \$.5 billion going to one company. He insures the company's bankruptcy, and provides the loan guarantees for lower-wage, lower-skill, lower-technology firms to move in and pick up what is left.