

## Congressional Closeup by Barbara Dreyfuss and Susan Kokinda

### House committee members blast Volcker

In separate appearances before the House Banking Committee and the House Ways and Means Committee, on Feb. 26 and March 3 respectively, Fed chief Paul Volcker faced a number of hostile committee members who confronted him with the inflationary effects of his "anti-inflationary" tight-money policies. Banking committee member Jim Mattox (D-Texas) told Volcker, "I'll be fair, Mr. Volcker, in telling you right off that I'm a hostile questioner. I don't agree with many actions of the Fed. What the Fed doesn't seem to understand is that high interest rates are causing inflation today. . . . If I were your boss I'd fire you and the entire Federal Reserve Board." Mattox went on to note that while it was necessary to balance the budget, the increased cost of debt service on the national debt was the "single greatest percentage increase to the federal budget."

When Volcker avoided Mattox's charges, fellow Texas Democrat Bill Patman followed up with a series of straightforward, but devastating questions about the quantifiable impact of interest rates on inflation. "How much do you think tight-money policies contributes by itself to inflation? Do you find that higher interest rates add to inflation? When you raise the discount rate don't you have a higher rate of interest? What inflationary impact does that have on inflation? We can reduce government spending by reducing the interest rates, can we not, Mr. Volcker? How much will tight money add to the cost of the fed-

eral debt?" Volcker only hemmed and hawed that one couldn't draw any quantifiable conclusions about the impact of interest rates on inflation or on the federal deficit.

Capitol Hill insiders noted that it was no coincidence that it was two Texas Democrats who most effectively attacked Volcker, since House Majority Leader Jim Wright, also of Texas, has stated that Democrats must make the issue of high interest rates a central plank in their economic platform.

### Hearings focus on population policy

Hearings will begin shortly in the House Census and Population subcommittee on a bill introduced by Rep. Richard Ottinger (D-N.Y.) that would set up an Office on Population Policy designed to limit population growth in the U.S. Ottinger's bill is an effort to implement the *Global 2000 Report* of the Carter administration.

In introducing the bill, H.R. 907, on Jan. 19, Ottinger declared that his bill "declares the goal of population stabilization, by voluntary means, as the keystone of a national policy of planning for demographic change." The bill would set up White House Office of Population Policy to coordinate the drive to stop further population growth. Also it would work to cut immigration into the United States and to enforce the same policy perspective on other nations.

In a speech to environmentalists on Jan. 22, Ottinger declared that his bill was a direct outgrowth of the *Global 2000 Report*. "As the comic strip character Pogo once

said, 'We have met the enemy and he is us.' The *Global 2000 Report* sees our swelling numbers as an accelerating vicious spiral, one which depletes our resources and corrodes the environment at a rate which is endangering the complex and fragile systems on which life itself depends."

This is the first time that Ottinger's bill will get as far as committee hearings. Every year before when it was introduced it was referred to the Government Operations Committee and killed by Rep. Jack Brooks (D-Texas). Now Rep. Garcia (D-N.Y.) has agreed to hold hearings and Ottinger attached his bill as a rider to a census bill so that it was referred to Garcia's committee.

The subcommittee on International Economic Policy of the Senate Banking Committee concluded two days of hearings Feb. 26 which were, by and large, a public forum for the proponents of the *Global 2000* report. The hearings dealt with the Third World, its economic and population problems. The last day focused on "the population bomb" and what to do about it. The featured speaker was Rep. James Scheuer (D-N.Y.), former head of the now defunct House Select Committee on Population. Scheuer heaped praise on *Global 2000*, stating that the document provided a "vision of the future." He told the Banking subcommittee chairman Sen. Charles Mathias (R-Md.) and Sen. Chris Dodd (D-Conn.), the only other senator present at that point, "The Third World must be made to bite the bullet. . . . The single most important thing that they can do is control population." Population problems, said Scheuer, dictate that the

development of the Third World, to the extent that it takes place at all, must be geared to labor-intensive industries and agriculture. Mathias and Dodd supported Scheuer's outlook. Mathias, who during the hearings entered the *Global 2000 Report* into the *Congressional Record*, delivered a speech that same night in support of it.

### **Abscam guidelines under scrutiny**

Justice Department official Paul Michel appeared before the House Judiciary Committee's subcommittee on Civil and Constitutional Rights on Feb. 26 to announce the content of guidelines promulgated by the Justice Department and the FBI to govern undercover operations such as those used in the Abscam and Brilab operations. The guidelines are currently under review by the new attorney general, William French Smith, and could be revised, but as they now stand they do not prohibit the kind of entrapment procedures undertaken in Abscam and Brilab.

Subcommittee Chairman Don Edwards (D-Calif.) expressed concern about the FBI's use of middle men, who are often criminals. "I am concerned about the risk entailed in the use of middle men, often men who have long criminal records and who sometimes are in the pay of the FBI. How do you control these people and how do you stop them from enticing innocent people?" Michel noted that if by some chance an innocent person is brought into a "scam" situation, "when the illegal offer is made, and if he is innocent, he will just walk away."

Republican Congressman Sensenbrenner of Wisconsin and the subcommittee counsel both asked Michel if he would make available to the subcommittee the transcripts of the Brooklyn court proceedings which are currently examining the procedural correctness of the Abscam operation. These hearings have heard current and former Justice Department officials denounce the Abscam tactics. The subcommittee counsel also asked Michel if he was dismissing the issues raised in that court proceeding overseen by Judge Pratt since the guidelines do not change previous FBI procedures and actually reaffirm the legality of them. Michel said that since the court proceeding was still ongoing, he could not make transcripts available and could not pass judgment on the impact of the final court decision.

The subcommittee has left its agenda open to continue consideration of the guidelines. They have not, as yet, given clear indication as to whether they will challenge the guidelines or let them stand.

### **Defense Department proposes naval buildup**

Defense Secretary Caspar Weinberger presented proposals for a \$33 billion increase in the 1981-82 national defense budget to the Senate Armed Services Committee on March 4. Of that total, \$15.7 billion is geared for modernization and \$4.2 billion for shipbuilding, with 51 new ships slated for building starts or conversions over the next two years. Secretary of the Navy John Lehman had previously informed the press that the United States plans to increase its fleet from 456 to 600 vessels.

Committee chairman Sen. John Tower (R-Texas) opened the questioning of Weinberger by asking whether "we have the industrial base to do this," and when Weinberger answered yes, the senator asked for examples of programs that were not being proposed because "our industrial base could not have sustained them." Weinberger made a generally evasive response, but noted that tactical aircraft, tanks, missiles, and shipbuilding have all been "adversely affected." Senator Barry Goldwater continued on Tower's theme, stating "I am very concerned about the continued deterioration of our industrial base, especially when we cannot compete with the Japanese and the Germans for automobiles, and even avionics and aircraft because we have to worry about our plants not being modern enough."

Former Secretary of the Navy Sen. John Warner (R-Va.) asked Weinberger what he meant when he stated that the U.S. must attain supremacy and superiority on the seas. Weinberger responded, "I mean we must have control of the seas and we must have the ability to defend our allies and go anywhere we need to go, much like England was able in the last century." Warner asked, "Do you mean a 'Rule Britannia' for America?" Weinberger answered, "It was a pretty good slogan then, but I don't care what you call it." Weinberger went on to indicate that the United States would be pressuring the NATO countries and Japan to contribute to the naval buildup, both in terms of augmented military spending and in terms of a "division of labor" of military construction.