

Congressional Closeup by Barbara Dreyfuss and Susan Kokinda

Fusion budget increases raised at hearings

Congressmen made clear their displeasure with the Department of Energy \$444 million FY83 request for magnetic fusion during hearings March 23 before the Energy Research and Production Subcommittee of the House Committee on Science and Technology. In her opening statement, subcommittee Chairman Marilyn Bouquard (D-Tenn.) stated, "For the second year in a row, the Department of Energy has submitted to Congress a budget which fails to meet the letter and the spirit of the Magnetic Fusion Energy Engineering Act of 1980. While this subcommittee recognizes the necessity of constrained budgets during this period of economic uncertainty, it is concerned about the program's continuing neglect of significant engineering development activities."

DOE witnesses were Dr. Alvin Trivelpiece, the director of the Office of Energy Research, and Dr. John Clarke. Trivelpiece announced at the hearing that Clarke has been made the director of the Office of Fusion Energy, replacing Edwin Kintner, who resigned in January.

Following their presentations Mrs. Bouquard stated that "instead of the 25 percent increase mandated in the law, we have a \$10 million cut. What would you need, Dr. Clarke, to maintain an aggressive fusion program?" Clarke replied that \$100 million would have to be added to the proposed request.

The Fusion Energy Foundation, which submitted written tes-

timony to Mrs. Bouquard's subcommittee, and will testify on the same subject before the House Appropriations Subcommittee on April 1, has recommended a FY83 budget appropriation of \$660 million.

Credit relief proposed for home buyers

In an effort to bolster the U.S. housing industry, Sen. Richard Lugar (R-Ind.) and 12 co-sponsors introduced legislation March 17 to subsidize home mortgages. The bill would authorize a total of \$5.12 billion over the next five years, to reduce mortgage interest rates on new homes by up to 4 percent.

In introducing the legislation, Lugar and several co-sponsors made it clear that they understand that usurious interest rates are responsible for the 18.7 percent official unemployment rate in construction and the fact that housing starts in 1981 were less than half of what they were in 1978. It reflects a growing realization in Congress that interest rates cannot be dealt with merely by lowering the deficit as Paul Volcker has demanded. But their solution is to provide emergency government aid rather than to force the man responsible for the crisis—Paul Volcker—to lower interest rates.

Senator Lugar estimates that by bringing interest rates down several points to home buyers, his bill would allow between 350,000 and 450,000 new homes to be built this year, putting 700,000 Americans back to work within several

months of passage. Only families with gross incomes under \$30,000 would be eligible for the subsidy.

Lugar's Subcommittee on Housing and Urban Affairs of the Banking Committee held hearings on the bill on March 23. Senate Banking Committee Chairman Jake Garn (R-Utah), who has been a staunch defender of Paul Volcker, is one of the 12 co-sponsors of the bill. Similar legislation has been introduced in the House by Rep. Jerry Patterson (D-Calif.). The House Banking Committee Housing Subcommittee is holding hearings on the housing crisis through the end of March, and Congressman Patterson will bring up his bill for discussion during these hearings.

Senate Democrats introduce emergency farm resolution

A majority of Democrats on the Senate Agriculture Committee introduced an emergency resolution on March 18, calling on the President and the Secretary of Agriculture to act to save the farm economy. Introduced by the ranking Democrat on the committee, Walter Huddleston (D-Ky.), the resolution, S. 346, introduced on National Agriculture Day, addresses the crisis in credit availability caused both by Federal Reserve Board policies and by collapsed farm policies.

In motivating the resolution, Huddleston warned that "without action, if projections of real farm income for 1982 prove to be accurate, farmers will have the lowest real farm income since the U.S.

Department of Agriculture began making such estimates in the early part of this century. It is now projected that real farm income will fall below \$10 billion in 1982, as it did in 1980 and 1981. The last time this happened in three consecutive years was in the midst of the Great Depression."

Co-sponsored by 14 Senators, including Democrats Edward Zorinsky (Neb.), John Melcher (Mont.), David Boren (Okla.), James Exon (Neb.), and Jim Sasser (Tenn.), the resolution advocates that the President work with and encourage the Board of Governors of the Federal Reserve System to adjust its monetary policy as soon as practical, so as to reduce the rate of interest farmers must pay to obtain credit for necessary production items; and that the President and the Secretary of Agriculture use their broad authorities to take emergency action to stabilize commodity prices and to provide credit assistance to farmers, by raising price-support loan rates, and providing emergency loans for operating credit.

A spokesman for Senator Huddleston noted that while these Democrats did not expect much support for the resolution from either the administration or leading Republican farm-state Senators, Larry Pressler (R-S.D.) had joined on as a co-sponsor.

Fed Vice-Chairman sails through hearings

Preston Martin, President Reagan's first appointment to the Federal Reserve Board and the newly

designated Vice-Chairman, testified to a strangely empty hearing room on March 24, and sailed through generally friendly questions from the three Senators present.

Martin, a former homebuilder, small businessman, and Federal Home Loan Bank Board official, is widely perceived as President Reagan's sop to the credit-starved small business and agriculture community. Martin validated that assessment by evincing much "sensitivity" to the housing, farming, and small-business community and support for certain emergency measures, but then supported the Fed's current tight-money policy wholeheartedly.

When asked by Senate Banking Committee Chairman Jake Garn (R-Utah), what he thought of the Fed's October 1979 decision to shift to a monetarist policy, Martin responded, "I think that October 1979 decision was certainly in the right direction. . . . I think that diverting the Fed's attention to try to control interest rates, rather than the current policy of focusing on reserves and money supply, would be a step in the wrong direction." He further added that he felt the Fed's major and primary role was as an "inflation fighter." In response to another Garn question about proposals to use the discount window of the Fed to direct credit to certain industries, Martin said, "I think it is so important to pursue the policy of combating inflation, that the course should be held steady. To layer on top of that a differentiation at the discount window for various industries would lead to an inappropriate use

of the discount window. Besides I think it is impossible to determine which industries should set credit and which should not."

Some of Martin's confusion over what is a productive industry, and what is not, may stem from his activities in the speculative field of building shopping centers or from his recent position with Sears Roebuck, the retail giant whose accelerated moves into traditional banking activities have helped in the dissolution of the small commercial banking structure that has traditionally served the needs of the productive base.

Martin pioneered the inflation-pacing variable-rate mortgage at the time he was Governor Reagan's S&L commissioner in California in 1967-69. More generally, he was characterized by a close California banker friend as a "re-industrializer" of the post-industrial variety, who thinks investment should be channeled away from housing.

But he wore a different face for the Senators. In response to a question about the proposed Emergency Mortgage Assistance Act of Sen. Richard Lugar, Martin indicated that he supported it. He did not feel that it would drain credit from other areas of the economy since, with U.S. interest rates so high, money would flow in from overseas and augment the U.S. credit base. He also expressed support for opening up U.S. pension funds for mortgage and real estate investment.

Only Sens. Jake Garn, William Proxmire, (D-Wis.) and Paul Sarbanes (D-Md.) attended the hearing and questioned Martin.