

Congressional Closeup by Ronald Kokinda and Susan Kokinda

Omnibus banking disaster passed

Impelled by the looming financial collapse, Congress passed the long-stalled Omnibus Banking Bill, which will allow for the reorganization of the U.S. banking system along cartelized British lines. The jumble of bills introduced to bail out the faltering savings and loan industry were streamlined into S.2879, authorized largely by Federal Reserve Board Chairman Volcker. With Senate passage of S.2879 on Sept. 25 by voice vote, banking committee members from the House and Senate immediately went to conference to reconcile the Garn bill with legislation passed earlier by the House. The resulting bill adopted most of the Senate provisions and passed the conference committee Sept. 29.

The major provisions of the Senate-backed bill will serve to make speculation the preferred activity of those few financial institutions which survive the current high-interest-rate regime, and will dry up lending for homebuilding and the agro-industrial base of the country. They include:

- 1) Bailing out a few of the stronger savings and loans;
- 2) Shutting down over 1,000 of the weaker S&Ls, thereby shutting off their lending to homebuilders;
- 3) Granting sweeping powers to the big commercial banks such as Citibank, to move across state lines and industry lines, and to buy up any S&L;
- 4) Forcing remaining S&Ls from making home-mortgage loans as their "break and butter," and beginning to engage instead in commercial-bank type of loans, such as Eurodollar market speculation; and
- 5) Providing a back-door bailout to the Eurodollar market by granting the commercial banks sweeping new domestic powers to move into the bro-

kerage and insurance business, to take over real estate, and to issue a new type of certificate of deposit which will soak up the money-market funds.

While these provisions assuaged the larger commercial banks and S&Ls, the smaller commercial banks, represented by the Independent Bankers Association of America, opposed the bill, warning that it will presage a "dangerous restructuring of financial institutions."

Committee fiddles while financial system goes kerflop

A subcommittee of the Senate Foreign Relations Committee finally took notice of the international monetary crisis on Sept. 27 on orders from the International Monetary Fund. But the one Senator present—Charles Mathias, who chairs the International Economic Policy Subcommittee, and the collected witnesses, proceeded to console themselves that somehow everything would hold together.

The hearing on "Third World debt" featured Citibank Executive Vice-President George Clark, Lehman Brothers Kuhn Loeb consultant Arthur Garten, Kissinger intimate C. Fred Bergsten, and Deputy Treasury Secretary Richard McNamar—all manifesting different degrees of self-delusion. Mathias tiptoed up to the real issue of the mounting political resistance in the Third World to continued and intensified IMF austerity when he asked, "Won't this inability on the part of countries to grow [under IMF-dictated conditions] bring some risk of political instability?" Citibank's Clark assured Mathias that the commercial banks were now meeting to present a united front when dealing with Third World debtors, and such cooperation

would allow the banks to successfully manage debtor nations' problems.

While the other witnesses were not quite so confident about the banks' ability to manage the strains of the current situation on their own, they were no less confident that with international financial institutions, governments, and private banks all cooperating, the Third World would be kept in line. Garten referred to the "non-problem" of Third World defaults, and McNamar insisted that the current situation was "manageable, transitory, and to some degree self-correcting." Outside of the comparatively marginal increase in IMF quotas and tighter supranational surveillance, the witnesses had no solutions to offer.

Sources on Capitol Hill report that another hearing may be held in December, and that the committee staff (which got their marching orders at the September IMF meeting) hope to open up the 98th session of Congress with a major round of hearings, preparing the way for congressional consideration of quota increases for the IMF and the international development banks. Like the witnesses, they apparently think that the international financial structure can be strung along until that time.

Shultz, O'Neill kill pipeline-sanction repeal

A last-minute plea from Secretary of State George Shultz—transmitted, strangely enough, through House Speaker Tip O'Neill—gave the administration the margin of votes necessary to beat back a strong attempt to repeal the pipeline sanctions. The vote was 206 to 203 against the repeal.

The fight for repeal was led by

House Republican Leader Robert Michel (R-Ill.) whose Peoria district has been heavily hurt by the collapse of business to International Harvester. Shultz claimed that House repeal would interfere with his ongoing negotiations with foreign ministers of Western European countries that have defied the sanctions.

But supporters argued that the issue was simply one of jobs, and that American companies and workers were being unnecessarily hurt by the ineffective sanctions. Democratic Congressman and well-known hawk Sam Stratton (D-N.Y.) who supported the repeal, charged that "the Speaker killed the thing by talking about Secretary Shultz. This is a jobs bill, period. The Democrats ought to be in favor of that at a time when the economy is in trouble."

Clinch River survives Senate vote—barely

The Clinch River Breeder Reactor Project squeaked through the Senate by a vote of 49 to 48 in the latest attempt by environmentalists and "fiscal conservatives" to kill the advanced research project. Majority Leader Howard Baker—whose home state of Tennessee is the site of the endeavor—used a substantial amount of political chips to effect the narrow victory. But Capitol Hill sources report that some Senators may have cast their last vote in favor of Clinch River under Baker's prodding, and that if another attempt is made during the lame-duck session to terminate it, that effort may succeed.

The embattled breeder reactor, whose completion is vital to future U.S. nuclear capabilities, came under intensified fire recently when environmentalists (who have long attacked

Clinch River) joined in open alliance with such forces as the British-controlled Heritage Foundation, the National Taxpayers Union, and Republican Senators led by Gordon Humphrey (N.H.). Humphrey introduced the amendment to terminate Clinch River in collaboration with anti-nuclear liberal Dale Bumpers (D-Ark.) and attempted to attach it to the stopgap funding legislation. The Humphrey-Bumpers effort was abetted by the release of a General Accounting Office report in the days before the vote, which claimed that the persistently obstructed project would now cost over twice its original estimate.

Following their narrow defeat, Clinch River opponents vowed to raise the issue again in the lame-duck session when the regular Energy Department appropriation is on the floor.

Kemp introduces phony interest-rate measure

Furthering the break with President Reagan which began during the tax-increase fight, Representative Jack Kemp (R-N.Y.) and House Republican Whip Trent Lott (R-Miss.) introduced the "Balanced Monetary Policy and Price Stability Act" on Sept. 29, touting it as an attack on the Federal Reserve Board's "monetarist experiment."

With a few technical differences, the Kemp-Lott bill is very similar to legislation introduced by Senate Democratic leader Robert Byrd (D-W.Va.) earlier this year. Both bills are portrayed as proposals to get interest rates down, by mandating the Federal Reserve Board to target not only money supply but also interest rates (as it did prior to 1979), exchange rates, and prices.

However, Federal Reserve Board

Chairman Paul Volcker was closely consulted by Byrd in the formulation of his measure, and Kemp, in turn, reportedly developed his version in consultation with Byrd's staff. According to sources, Volcker has "no problems" with the legislation, since both bills leave the independence of the Fed intact. More importantly, Kemp's bill in particular contains provisions which make it amenable to the policy of "selective reflation" and financial restructuring by which the international financial oligarchy hopes to weather the mounting Third World debt crisis.

Kemp and Lott, with the quiet blessing of the House Republican leadership, are attempting to give election-nervous Republicans an anti-austerity, anti-high-interest-rate fig-leaf to hide behind.

In a "Dear Colleague" letter circulated with the bill, they state, "The GOP must not follow the line that unemployment is an answer to inflation or that the current recession and joblessness is the price we pay for future prosperity." Kemp is also positioning himself for the 1984 presidential campaign.

As with the Byrd legislation, Kemp-Lott is not binding and would allow the Fed to deviate from the interest-rate targets set. Kemp's ultimate objective, however, is to begin to initiate a reform of the world financial structure, on behalf of his Swiss and London banker controllers. The final provision of Kemp-Lott calls on the Secretary of the Treasury to "seek a meeting of members of the International Monetary Fund to consider reforms of the world's monetary system." Kemp, who has called for a London-authored "new Bretton Woods," cites Mexico as an example of why the current international system is inadequate.