

Congressional Closeup by Ronald Kokinda and Susan Kokinda

St Germain stalls bank deregulation hearing

House Banking Committee chairman Fernand St Germain announced June 7 that he will delay committee consideration of a package of banking deregulation legislation until the nation's top bank regulators reverse their current refusal to appear before his committee to report on the recent bailout of Continental Illinois bank.

Federal Reserve Board chairman Paul Volcker, Comptroller of the Currency C. T. Conover, and Federal Deposit Insurance Corporation Chairman William Isaac were requested by St Germain to appear before his committee on June 13 to explain the recent federal government bank bailout of Continental Illinois. All three declined. The FDIC's Isaac sent a letter to St Germain stating that "a hearing at this time could well interfere with the negotiations [over the future of Continental Illinois] currently under way." Volcker and Conover cited similar concerns.

St Germain responded: "Until the committee fully understands why an institution as large as Continental Illinois had such difficulties in the marketplace, it would be inappropriate to entertain discussion about new and expanded powers for Continental and similar institutions."

The Reagan administration and Senate Banking Committee chairman Jake Garn (R-Utah) have supported various forms of bank deregulation which would allow banks to become active in areas traditionally denied to them. St Germain stated that, while he was agreeing to a temporary postponement of an appearance by the chief regulators, "it will be necessary for you . . . to agree to a firm and early date."

St Germain is pushing for passage

of legislation which would stop regulators from allowing banks to use the "non-bank bank" loophole to engage in interstate banking. Banks have been using a loophole in the Bank Holding Company Act to establish interstate branches which are not classified as a bank on the basis of technicalities, but which in fact are performing most of the functions of banks and are diversifying into areas such as securities, real estate, and insurance.

St Germain, who has led the charge to deregulate the U.S. banking industry, seems to be engaging in an exercise of closing the barn door after the horses have escaped. Citing the Continental Illinois episode, he warned, "Loopholes that allow depository institutions to move into new activities—riskier ventures—increase the exposure for taxpayers."

Senate rejects cut in NATO defense spending

The Senate on June 7 rejected by a vote of 76 to 16 an amendment to the Defense Authorization bill which would have prevented U.S. spending increases for NATO unless European nations followed suit. The amendment had been proposed by Sen. Larry Pressler (R-S.D.), a leader of the Senate "Eurobashing" contingent. Although his bid to decouple the United States from Europe was defeated, the Senate did vote 91 to 3 to "urge" NATO nations to increase their military spending.

Pressler has recently gained notoriety through *EIR*'s exposé of his role as one of the chief sponsors of a resolution calling for a ban on space weapons development—a resolution drafted by Washington think-tankers in

consultation with Soviet embassy personnel. Pressler is a staunch opponent of developing beam weapons as a defense against Soviet missiles, and was the first U.S. senator to endorse Henry Kissinger's *Time* magazine article of March 5 which called for withdrawal of U.S. troops from Europe.

Pressler introduced another amendment, which has not yet been voted on, which would reduce U.S. troop strength in Europe and demand that Europe bolster its own conventional defenses—in a futile effort to match Soviet conventional capabilities.

In arguing against the Pressler proposal to cut U.S. funds to NATO, Sen. John Tower (R-Tex.), chairman of the Senate Armed Services Committee, warned that a funding cut would damage the readiness and effectiveness of U.S. troops in Europe: "We are not there just to defend them. We are there to defend our own interests."

Metzenbaum gives back political 'finder's fee'

Senator Howard Metzenbaum (D-Ohio) recently returned a quarter-million-dollar "finder's fee" to a close political friend, once the press began questioning the propriety of the fee. Metzenbaum is one of the point-men in the ethics witchhunt against presidential adviser and Attorney General-designate Edwin Meese.

The senator, according to his own report, placed several phone calls one evening in June 1983 which resulted in the \$30 million sale of a Washington, D.C. hotel owned by Cleveland-based investor and long-time political friend Jeffrey Friedman. Unbeknownst to the purchaser of the hotel,

Metzenbaum had already solicited and was then paid a \$250,000 finder's fee from Friedman.

Since Friedman has been a financial supporter of Senator Metzenbaum's political campaigns, the possibility was raised of an illegal channeling of funds to the senator. Yet the only investigation of the transaction going on is being conducted by the Washington, D.C. government, for practicing real estate without a license!

Metzenbaum's fellow members of the Senate Judiciary Committee—which has held up the confirmation of Meese for receiving a loan from a friend in the range of tens of thousands of dollars—have demonstrated no interest in the matter.

Hatch and Kemp go to bat for Project Democracy

Right-wing Republicans Sen. Orrin Hatch (Utah) and Rep. Jack Kemp (N.Y.) took to their respective floors of Congress during the first week of June to defend AFL-CIO chief Lane Kirkland and the National Endowment for Democracy. The NED, also known as Project Democracy, is a multimillion dollar slush fund established by the Reagan administration and the AFL-CIO to "ideologically advance the cause of democracy" around the world.

Hatch criticized the vote by the House of Representatives in late May to cut off all funding for the NED; he vowed to restore funding in the Senate. Kemp took up the cudgels for Kirkland and the NED in response to a Soviet-authored "attack" on the institution. He placed a recent article by syndicated columnists Evans and Novak into the *Congressional Record*,

which mentioned that one of the NED's current projects is "to shore up opposition parties in the Philippines before dictatorial President Ferdinand Marcos's reelection campaign."

Apart from destabilizing U.S. allies like Marcos, funding for the NED will only augment the ability of the AFL-CIO, under its chief international operative, Irving Brown, to function as the hatchetman in the Third World for the International Monetary Fund.

Gonzalez says banking crisis now 'inevitable'

Rep. Henry B. Gonzalez (D-Tex.) warned in a speech on the Senate floor June 4 that the near-bankruptcy of Continental Illinois bank means that "the house of cards has to crumble. It is inevitable now." Noting that he had been warning of such a banking crisis since 1966, Gonzalez identified 1979 as a turning point in the international financial situation: "In 1979 I pointed out why all of the variables were in place in the equation that provided us the crash or the economic crisis of 1929, the Black Friday of 1929, and the consequences."

Gonzalez is a senior member of the House Banking Committee and author of a resolution of impeachment against Federal Reserve Board chairman Paul Volcker.

Gonzalez identified two primary causes for the pending bank blowout: that 1) the policies of banking deregulation codified by the U.S. Congress two years ago had "homogenized our Federal institutions and incredibly reverted to the predepression era financial framework," and 2) the Federal Reserve Board has functioned as a handmaiden of usurious financial

interests. Referring to the independence of the Fed Gonzalez charged: "This is the reason that I have addressed what I consider to be the fundamental problem: the reason why our country now is being flagellated very much domestically like some of the countries we call the lesser developing countries. . . . the Federal Reserve Board has usurped its function. It is out of control. . . . The Federal Reserve Board was created by the Congress. It was not struck from the brow of Jove. It is an institution that is the creature of Congress. . . . But when I mention this some members look at me askance as if I had said I am a Socialist or a Communist."

The priorities of the Fed, Gonzalez said, "shall be high, usurious, extortionate rates of interest that all through the history of mankind's history have gone hand in hand with the decline and the destruction of civilization. . . . In fact as the Lord Jesus Christ was preaching and living there were laws against usury."

Other congressmen are maneuvering around the edges of the banking crisis in an effort to direct the inevitable financial reorganization to their own benefit. On June 5, Sen. Edward Kennedy placed into the *Congressional Record* the entire communiqué signed by the Presidents of Mexico, Colombia, Brazil, and Argentina, announcing the formation of a debtors' cartel. Kennedy claimed that the four-nation communiqué derived from the same concerns which generated the recent Inter-American Dialogue report, which called for debt stretch-outs and a "cap" on interest rates. The Dialogue is chaired by Sol Linowitz and includes such luminaries of the Eastern Establishment as McGeorge Bundy, Robert McNamara, and Theodore Hesburgh.