Congressional Calendar by Barbara Dreyfuss and Susan Kokinda

Democrats propose own tax plan

A group of moderate Senate Democrats announced at a press conference April 8 that they intend to submit to the Congress their own tax proposal. The group made clear that they will not support the across the board tax cut plan known as the Kemp-Roth bill, but want instead to channel tax cuts toward increasing personal savings and industrial investment.

They will propose a plan that expands personal exemptions, reduces capital gains taxes, ends discrimination on investment income, lowers inheritance tax rates and cuts the marriage tax penalty. Senator Boren (D-Okla.), the leader of the group, declared that the senators were taking their action to "demonstrate that the Democrats are still in the mainstream." The tax approach parallels that of House Ways and Means Chairman Dan Rostenkowski.

The Senate action came as House Democrats backed a budget cut alternative to the Reagan proposal, made with assumptions that Congress will adopt a tax cut much lower than the administration wants. The House Budget Committee voted 17-13 April 7 to back a Democratic-sponsored alternative budget. The budget proposal calls for restoring about $7 billion in social services, while cutting $4 billion in defense funds. They estimated an overall budget deficit of $24.6 billion, much lower than Reagan's estimated $45 billion deficit, in part because the Democrats expect a smaller tax cut to be adopted.

The only Democrat to oppose the proposed alternative was Rep. Phil Gramm of Texas, who is a leader of the Conservative Forum, a group of conservative Democrats. Gramm told reporters that he will introduce a budget plan to cut $4 billion more in the President's budget, while giving him all he wants for defense.

Biden to DEA: 'try to save you from yourself'

Drug Enforcement Administration chief Peter Bensinger appeared before the Senate Judiciary Committee on April 2, and refused to admit that the administration's proposed budget cuts would hurt the DEA's drug fighting capability. An exasperated Sen. Joseph Biden (D-Del.) a congressional leader in the fight against international narcotics trafficking, was forced to tell the stolid Bensinger, "I'm going to try to save you from yourself. You have my commitment that I will fight to see that you don't undergo cuts which will hurt the drug enforcement effort."

In the face of substantial funding reductions for critical DEA programs, Bensinger's testimony made no mention of the budget cuts and instead reported on drug enforcement trends and efforts over the past year.

Biden stated, "I am very disturbed about the cuts being imposed on your agency and others having to do with law enforcement. The Carter budget had $5.4 million for the Southwest Asian heroin program. That is being eliminated as well as funding for state and local task forces and federal-state-local coordinating efforts. The U.S. Customs Service drug interdiction is being cut. I want you to tell me if DEA will be hurt by these cuts."

Bensinger maintained that with the help of other agencies, the DEA could somehow manage. Growing increasingly angry, Biden demanded, "I want a yes or no, has the DEA been hurt?" Bensinger began to reply, "With rearranged priorities. . ." when Biden interrupted. "Has it been hurt?" he asked again. Bensinger did not reply.

Congressmen attack Fed's high interest policy

Members of the House Committee on Small Business at hearings the committee held April 2 roasted Federal Reserve Board Vice-Chairman Frederick Schultz for pursuing a high interest-rate policy that is destroying small businessmen. The hearings were the result of meetings between the committee members and numerous trade association representatives several weeks ago, where the trade association spokesmen warned the congressmen that high interest rates were having a disastrous effect on the U.S. economy.

"Some contend that the Federal Reserve's past failure to conduct monetary policy prudently has contributed to current high interest rates and increased inflation and unemployment as well as a resultant rise in the number of business failures," declared Rep. Parren Mitchell (D-Md.), chairman of the committee in his opening statement. "Because of last year's recession and high interest rates, business bankruptcies are spreading throughout the economy. During the first two months of 1981 business bankruptcies reached approximately 3,000, a gain of 63 percent from a comparable period last year.... Indeed, interest rates have been a decisive factor in a number of bankruptcies among smaller companies."

Rep. Henry Nowak (D-N.Y.), chairman of the subcommittee on Tax, Access to Equity, and Business Opportunities, was even more blunt. "Business bankruptcies are at an all time high, interest rate levels are once again moving up and the short-term economic outlook is bleak. How much longer can small firms survive in this environment?"

One after another congressman grilled the Fed spokesman, while Schultz readily agreed that Fed policy was causing major disaster to the economy, but said that the Fed had no other choice. There was this exchange with Rep. Lyle Williams (R-Ohio):

Williams: "Mr. Schultz, in your testimony you said 'we recognize that in many respects small business forms the backbone of the economic system.' And yet you say high interest rates are causing incredible hardship. Aren't you attacking the backbone of our economy?"

Schultz: "I think the greatest danger to the financial system of the economy is the pressure put on small business by high interest rates."

Williams: "So you are saying the answer to my question is yes?"

Schultz: "Yes, but ... the answer is to develop noninflationary growth of the monetary supply over time."

When asked whether interest rates were the cause of inflation Schultz declared brazenly, "Of course ... but they restrain demand."

Confronted over and over again by the congressmen, Schultz declared that it was unfortunate, but the Fed had to continue its policies. "Small business is suffering ... terribly, but I don't think we have a choice of moving off our anti-inflationary spiral."

Subcommittee examines agricultural export prospects

Senator Rudy Boschwitz (R-Minn.), chairman of the Senate Foreign Agriculture subcommittee, announced on April 8 that he and Senate Agriculture Committee Chairman Robert Dole (R-Kansas) will introduce legislation to establish an agricultural export specialist within the office of the Special Trade Representative. Boschwitz added that they have yet to decide whether their proposal would be part of the 1980 farm bill or would be a separate piece of legislation.

The announcement was made at subcommittee hearings called to review the results of an agricultural export report produced by the Agriculture Council of America. The report, the product of over a year's worth of work, outlined the importance of exports to the U.S. agriculture sector, and called for Congress and the administation to adopt a coherent agricultural export strategy for the first time in over 20 years.

Sources close to the subcommittee note that if the administration does not propose a revolving fund to help finance U.S. agricultural exports, at least one subcommittee member is committed to it.

Senator wants tighter money supply

In a statement on the floor of the Senate April 7, and in remarks before the Joint Economic Committee the next day, Sen. Roger Jepsen (R-Iowa) charged that the Federal Reserve Board is allowing for a too-rapid increase in the money supply and called for cutting the growth rate of selected monetary aggregates in half by 1982. Jepsen stated, "The Federal Reserve target growth is designed to accommodate and preserve inflation, not to reduce it."

In response, Treasury Undersecretary for Monetary Affairs Beryl Sprinkel told the Monetary and Fiscal subcommittee of the JEC that the administration thinks Jepsen's target is appropriate, but that the reduction should be made more gradually over the next four years. However, Sprinkel added: "Let me emphasize that I recognize and support completely the independence of the Federal Reserve System under the oversight procedure which the Congress has established. The administration, including the Treasury, neither seeks nor envisages a confrontation with officials at the Federal Reserve over the formulation of monetary policy."

Sprinkel also stated that "this administration will work vigorously to reduce export subsidies from other nations," a policy that will allow the United States to continue to cut funding for the Export-Import Bank. He added that the Exim was one of a "series of subsidies which result in a misallocation of resources and which the administration intends to remove or reduce."